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H. E. YUAN SHIH-KAI.
A leader among moderate reformers in China.

AMERICA AND THE FAR EASTERN QUESTION

AN EXAMINATION OF MODERN PHASES OF
THE FAR EASTERN QUESTION, INCLUDING
THE NEW ACTIVITIES AND POLICY OF
JAPAN, THE SITUATION OF CHINA, AND
THE RELATION OF THE UNITED STATES
OF AMERICA TO THE PROBLEMS INVOLVED

BY

THOMAS F. MILLARD
AUTHOR OF "*THE NEW FAR EAST*"

MAPS AND ILLUSTRATIONS



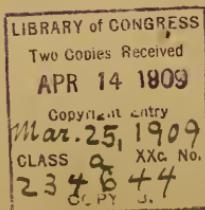
NEW YORK
MOFFAT, YARD AND COMPANY

1909

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Published, March, 1909



INTRODUCTION

SINCE the publication in March, 1906, of THE NEW FAR EAST, I have again twice visited the regions included in the scope of the Far Eastern Question, and have further observed and studied conditions there. The present work takes up the situation where my previous book quitted it; brings it forward, extends its prospect, and criticizes some results which have become apparent.

I have avoided extensive use of statistics, and when any views and conclusions are based upon them I have exercised my own judgment in accepting or rejecting figures presented by governments and individuals. In the East, in perhaps a greater degree than elsewhere, statistics often are prepared to sustain an hypothesis. This is especially true, at the present time, of some statistics which relate to the economic and fiscal situation of Japan.

I expect that some persons will profess to find in this, as many did of my previous work, an anti-Japanese preaching. This it is not, in the sense that a desire to injure Japan is among its objects. I wish the Japanese nation and people success in aspirations which do not tend to cause international dissension and strife by impairing interests of other nations. That the present policy of Japan has this tendency is a conclusion I have reached after closely observing its trend for several years, and from studying its practical effects in localities where it is directly applied. Having formed this opinion, I express it without hesitation, and endeavor to present facts and conditions upon which it is founded. To those who may

INTRODUCTION

think that in considering the activities of modern Japan I dwell on unfavorable phases, and ignore favorable ones, I will say that it is with the more significant aspects of Japan's policy that this discussion attempts to deal, and that admirable traits of Japanese character are not often mentioned does not mean that I am ignorant of them. These characteristics are in a large sense common to all peoples, and it is only by possessing them to a considerable degree that any people can make its activities widely felt; moreover, favorable aspects of Japan have been presented by a thousand writers, and are kept before the world by an organized publicity with which no individual can compete. In juxtaposition with what I consider to be disturbing and probably unattainable ambitions of militant Japanese statesmen, I have tried to show counter-balancing interests and forces which are involved.

To the extent that I have approached the subject especially from the point of view of the interest of the United States of America, and in this only, the discussion is partisan; and this will, I hope, be excused when it is remembered how little American interests are considered in the extensive literature of this question. While I hope that the book will have some effect upon the solution of problems which are reviewed, by bringing to bear upon them enlightened public opinion and advanced statesmanship in America and elsewhere, I have not had effect only in mind when writing it.

I thank the publishers of *The New York Times*, *Scribner's Magazine*, and *Appleton's Magazine* for their permission to reproduce matter previously printed in those publications.

THOMAS F. MILLARD.

New York, February 1, 1909.

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THE FAR EASTERN QUESTION

CHAPTER I

THE WAKING ORIENT

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IT IS conceded by many students of greater affairs that the Far Eastern Question presents the most important international issue with which the world now has to deal. No other question covers so broad a field, includes forces so complex and diverse, has such inherent power. Its solution cannot fail materially to affect the future of all nations, and to influence the destiny of the entire human race.

If these premises are granted, it seems difficult to exaggerate the importance of events which mark progress of the situation in the East, which give it direction, and which determine the course of policies in evolution. That the international situation there is being radically re-shaped, as a result of the Russo-Japanese war, is evident. Condi-

tions are changing with almost bewildering rapidity, altering the relations of governments, undermining treaties and comities upon which such relations have been founded. New international agreements follow each other in rapid succession; others are proposed. Former friendly nations now regard each other askance; presently allied ones are reconsidering the bases of their alliances. Everywhere is uncertainty, and in some quarters apprehension. New ideas, new ideals, new purposes and new methods fill the Oriental mind, are being translated into action, and presently will be felt in the West. It is no longer possible to doubt that the East is waking.

Manifestations of this waking Orient are expressed in many phases, which may be broadly classified as sentimental and material. Most sentimental impulses now moving in the East can be traced to the victory of Japan over Russia. There is no Asiatic country, from China to Persia, which has not felt the reaction of the Russo-Japanese war, and in which it has failed to awake new ambitions. These usually find expression in a desire to assert independence, to claim equality with white races, and have had the general result of causing western prestige to decline in the East. It is evident that this sentimental idea may affect even the internal affairs of all greater nations, which almost without exception have a "race problem" of some kind to deal with. This is of special interest to those western nations which have undertaken to govern millions of Orientals, among which Great Britain is prominent. It is probable that Great Britain has felt certain adverse effects of Japan's success more keenly than has any other nation except China, which is interesting in view of the fact that England so considerably contributed to the rise of Japan and the comparative enhancement of her position among nations.

That unrest of the native population of India, which repeatedly has been indicated during the last three years, is taking a serious trend is admitted by many observers of events in the East; but to some its causes are obscure. While certain demonstrations confined to India have clearly developed and stand out strongly, they seem to bear slight harmonious relations to each other, and even to involve contradictions inconsistent with a definite purpose and common sentiment. This somewhat puzzling condition leads one to look further, outside of India, for light on the situation. In 1906 I traveled over a considerable part of the Orient, moving from East to West. At Yokohama I picked up a thread, which was subsequently found to be distinctly traceable through Korea, China, the Straits Settlements, Burma, and on to India. This is beginning to be spoken of as Pan-Orientalism, frequently with skepticism, sometimes with ridicule, and occasionally with alarm. However it now may be regarded in the West, its influence is felt in all eastern countries, and some of its manifestations in India have peculiar interest and significance.

Like the reform movement in China, where a strong tendency toward modern progress is blended with occasional recrudescence of anti-foreign sentiment, the present ferment in India springs out of complex, even diverse, forces. Its basic sentiment undoubtedly is the growing desire of eastern peoples to take a larger part in the development and administration of their own countries. In India this half-formulated sentiment expresses itself in two phases — conditions which turn upon political and racial elements, and those which grow out of commercial and industrial matters.

In many respects British administration in India is enlightened and beneficial. It probably would be difficult

to convince many Britishers in or out of India that the chief aim and effect of British rule have not been and are not now for the advantage of the natives; and it is not easy to refute this long-established presumption, even if one were disposed to undertake the task, which I am not. In its more obvious manifestations the government is excellent, its general administration quite efficient and free from petty official corruption. All this is common knowledge. Since she abandoned the attitude of conqueror for that of pacifier, England's treatment of natives of all classes has been generally beneficent and humane. Among other great reforms she has placed modern education within reach of the people, and uses competent natives in all grades of official life except the very highest. Broadly, it may be said that the Government's disposition toward the natives is to grant them all the opportunity and liberty which they are considered to be capable of utilizing. This policy has preserved peace in India and gradually is bringing material prosperity.

But the native of India knows that while he may assist to govern, he really is ruled from afar and without his consent, a rule resting to-day, as in the days of Clive, upon British bayonets. This may sound harsh, but is the plain truth; and argument of the proposition involved, the right or wrong, the pro and con of it, is not pertinent in this connection.

While present ferment in India is in a sense a manifestation of perennial unrest, the cause of many explosions in the past, it has its particular sentimental genesis, and this is the success of Japan over Russia. It is first cousin of "The Orient for Orientals," "China for the Chinese," and similar catch-phrase doctrines. Dense as the mass in India is, the victory of Japan has penetrated its inner

consciousness. In fact, pains were taken to see that it did. Within the last three years the whole East has been penetrated by cheap motion picture shows, usually managed by itinerant Japanese. I have attended these exhibitions in various parts of China, at Hongkong, at Singapore, at Rangoon, and in India. Most of the pictures shown are ordinary in character, of the kind sent broadcast by European and American makers, but many display representations of the Russo-Japanese war. Some are authentic, no doubt, for I have seen them exhibited in the West, and represent Japanese troops in the field, etc., and Russian prisoners at Port Arthur and elsewhere. But some evidently are fakes of a transparent character, and these usually represent some imaginary conflict between Japanese and Russians, in which Japanese invariably are the victors. Some of these pictures, taking the idea, perhaps, from similar ones (in conception) shown in London during the war in South Africa, depict Russians performing acts of brutality upon Chinese and other Orientals, who are rescued by Japanese and the Russians punished and humiliated. A Chinese or Indian coolie cannot be reached by literature, as a rule, except indirectly; but he is open to impressions from pictures which simulate action, the authenticity of which he does not dream of questioning, and which show the white race he has so long respected and feared beaten at war by a dark-skinned brother. By this and other less subtle means has the message which Japan's victory carries to the East been communicated to the masses in China and India.

The relations between Great Britain and Japan prevents British officials and members of Parliament from openly criticizing the alliance in the light of some results which may be attributed to it, but it has not prevented

British subjects, particularly those who reside in the East, where manifestations of Pan-Orientalism are more obvious, from freely expressing their opinions. The following, published in 1908 in *The Japan Chronicle*, an influential English newspaper printed in Japan, fairly represents, I think, intelligent British opinion in the East of the Anglo-Japanese alliance:

"It cannot be denied that there is a spirit of ambition and jingoism abroad in Japan to-day which will hardly be quieted except by a great success or a great disappointment. The more such a feeling prevails among certain classes, the more it is disowned in responsible official quarters, and if any outbreaks of it occur in the utterances of prominent statesmen, the more carefully are they glossed over and explained away.

"The old bogey of a Russian invasion of India, which had such influence on the minds of English statesmen during the eighties, has not been much in evidence of later years. But it seems that it still spooked in the minds of those who drew up the recent Treaty with Japan. The later course of events, the defeat of Russia and the new nationalistic agitation in India, have completely overshadowed it,—so much so that it now seems doubtful to most people whether it ever really was anything more than a bogey, skilfully dressed up by Russian diplomats, and successful, even beyond the hopes of its inventors, in distracting the attention of the rulers of India from more real issues. It seems strange now to think that a possible attack on the north-west frontier of India, made through hundreds of miles of mountainous wilderness, could ever have seemed a more real peril to British tenure of the peninsula than the natural aspirations for independence on the part of three hundred millions

of Indians themselves. Much was heard, indeed, about Russian agents tampering with the loyalty of the masses; but it seems always to have been assumed that Indian discontent would take the form of a preference for Russia, and that the people would be satisfied with a mere change of masters.

"It seems clear that the first Treaty with Japan was inspired, on England's side, partly by the remains of the irrational fear of Russia, and partly by ignorance of the real strength of Japan. This country appeared in the eyes of the Western World in the light of a small nation standing up, for the sake of its independence, to almost certain defeat at the hands of the mighty Northern Power. The military strength of Japan was at that time little suspected abroad; her real spirit toward foreigners and the unlimited aspirations which her success would awaken were suspected still less. Taken altogether, the intentions with which the Anglo-Japanese alliance was entered into, in the light of the new issues which have developed since, form as good an example as could easily be found of the insufficient amount of wisdom with which the world is governed."

Sentimental effects which may be traced to the Anglo-Japanese alliance are interesting and far-reaching, but it is probable that some material results of Japan's rise have given British interests in the East greater concern. There is no longer any serious attempt to conceal the fact that many of Japan's new activities are injurious to interests of her ally, especially in commercial matters. Indications that British and Japanese statesmen are coming to understand that the alliance contains fundamental weaknesses, and does not afford adequate assurance of matters which it was designed to safeguard, are plentiful. How else can the

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recent Anglo-Russian,¹ Russo-Japanese² and Franco-Japanese³ agreements logically be accounted for? If the Anglo-Japanese⁴ alliance is considered by Japan to guarantee her position in eastern Asia, as it assumes to do, why should she feel it necessary to reach agreements concerning the same matter with other powers? On the other hand, if England feels that the alliance with Japan assures the security of her Indian frontier, why did she hasten to reach an understanding with Russia which obviously is designed to cover the same ground? One hardly can doubt that British statesmen now are in a way to be convinced that the alliance with Japan is destitute of practical advantage to England in sustaining her position in Asia, while its sentimental effects have tended to lower England's prestige. English statesmen must by now realize also that this alliance may embarrass her relations with the United States, and with her colonies in America and the antipodes. It is especially offensive to Australasia, where Japan's ambitions are the subject of uneasy conjectures. Indeed, it is probable that considerable effort on the part of England and Japan will be required to prevent their alliance from becoming, before it expires, a butt of international ridicule. A disposition to openly criticize it already is displayed in the parliaments of both nations.

In Indo-China France also has felt the sentimental effects of the Russo-Japanese war. Not for many years have her eastern colonies been so uneasy. That France is averse to further extension of Japanese influence in Asia may be assumed, but evidently she feels that it is prudent to safeguard her territorial interests there by falling in with the current. This probably induced her to

¹ Appendix H. ² Appendix B. ³ Appendix G. ⁴ Appendix F.

make the "arrangement"⁵ with Japan which was signed on June 10, 1907. This "arrangement" is so vaguely worded that it is devoid of significance except when construed in conjunction with the similar arrangement⁶ of Japan with Russia. It is interesting that this arrangement applies to "the regions of the Chinese Empire adjacent to the territories where they [the signatory powers] have the rights of sovereignty, protection or occupation." This agreement intimates that France observes the drift of events in China, and is not disposed to fall outside the breastworks if the "open door" principle lapses into inanition, and the "sphere of influence" doctrine is definitely revived. I do not interpret France's action in this matter to mean that she really favors the dismemberment of China, as has been asserted, and which is believed by some Chinese statesmen, but rather that she is preparing for possible eventualities.

Germany's policy in the East has attracted little attention within the last three years, chiefly because it has pursued an even and consistent course, and has avoided embarrassing entanglements. It now appears that the reversal of Germany's attitude toward China, which was one result of recognition of certain effects of the Russo-Japanese war, was sincere and that she is willing to lend her influence to maintain the integrity of China and the "open door." Since her change of policy in China, Germany's position there has improved. Tsingtau rapidly is becoming the principal port of Shantung, and German commercial interests in the Empire are moving with greater momentum since the passive hostility of Chinese, which was due to fear of German political designs, is being tempered. One is almost persuaded that Ger-

⁵ Appendix G.

⁶ Appendix B.

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man statesmen are convinced that their former policy was disadvantageous, and that they now believe that German interests in China will do better under the "open door" than under a division of the Empire according to "spheres" now outlined. There is little for China and other nations to complain about in Germany's recent actions in the East, which leads one to hope that her influence will be exerted in behalf of principles to which all the interested powers have subscribed. Japan, at the time when she was negotiating her latest agreements with Russia and France, tentatively approached Germany with a similar proposal, but without success.

When the eastern situation is considered in the light of recent events and present circumstances, one is impelled to conclude that international equilibrium there can only be restored and maintained by creating a new balance of power; one which will be established on a different base, and which will contain a new element of strength and stability. This can be supplied, in my opinion, only by direct and active participation of the United States of America.

It seems inevitable that any patriotic American whose attention is intelligently directed to the subject will begin to consider the position of the United States in respect to the solution of this problem. It is evident that our nation will be materially affected by the course of events in the East, whatever it may be. Our position bordering upon the Pacific Ocean makes our national domain actually contiguous, in a modern sense, to countries which touch the Pacific on its western shores. We have possessions lying within the locality which must be the scene of the forthcoming evolution, and where some of its results will be directly expressed. And we have a hopeful interest, through commerce, in the enormous, the almost incalcul-

able material development which application of modern western methods and influence to the teeming resources of China is sure to bring about. It is difficult, in any candid examination of the present situation in the East, and the probabilities which lie before that locality, to escape a conclusion that the interest of the United States in them is fundamental, in so far as this expression may be applied to regions where our nation does not now exercise nor expect to acquire political authority.

That our nation has reached another turning point in its development is generally recognized. The Spanish-American war and the unexpected acquisition of territories which was among its results brought new responsibilities and problems. But while these causes gave, for the moment, fresh interests and outlets, the greater and determining impulse toward wider fields must be sought deeper among the wellsprings of our national energy. It lies, in my opinion, in our economic situation. The United States has reached a crisis of its industrial development. I do not mean that it no longer has room to grow within. The resources of our own country are only partially developed, and for many years to come the greater part of our national energy will continue to be expended upon them. But in the equation between our swelling industrial output and our home consumption, enormous as this latter factor now is, we have come to a point when we must seek an outlet in new markets or soon see industrial conditions in America arrive at a state of arrested progress. Since such a condition will react upon our prosperity at home, and affect the future of our nation in comparison with other great nations of the world, it is clearly the province of American statesmanship to look beyond the needs of the moment and find new markets for American products, and to devise

ways and means to secure for them equitable entrance to those markets.

This is one of the problems which confronts the new statesmanship which America must and *will* have; and in scanning the world for the commercial opportunity necessary for its fruitation, the eyes of our statesmen cannot fail to turn to the East. There are no longer any geographical mysteries in the world, in the sense of undiscovered lands suitable for the profitable application of human activity. The sphere which we inhabit is defined so far as terrestrial limitations are concerned; and if its economic possibilities are not yet fathomed it is because nature always holds some secret in reserve to be revealed only on imperative need and demand of mankind. In China are more than four hundred millions of intelligent and industrious people, living in the temperate zone, and inhabiting a land which is a natural empire. There, too, is a great nation arrived at a turning point. There is something more than accident in this coincidence. Can anyone conceive that the American people will fail to rise to possibilities which are involved in the relations between China and the United States? It is not always possible for a Government by its separate action to create trade where none has before existed, although history affords some examples of such accomplishment; but it can pave the way for trade. I believe that it is the duty of a Government to do this. The time has come in our national history when the vision of American statesmen should no longer be bound by the limits of our national territories, but should survey the whole world. It is not possible that such a survey can fail to include the Orient, where two-thirds of the inhabitants of the earth, just waking to new conditions and opportunities, are congregated. Between the United States and China is

a genuine community of interests, which has no proportionate parallel with the relations of our nation and any other Oriental state. If this is true, it is evident that no international arrangement or understanding having in mind the fate of China and the course of events there which does not to some extent accord with the interests and desires of the United States will possess any real vitality, nor give any genuine assurance that peace will be maintained in the East.

There are Oriental checks to an extension of Pan-Orientalism which, by bringing eastern peoples under a common nationality or establishing among them an affiliation of political interests, might create a real yellow peril for the West. These take the familiar shape of international jealousies and hatreds. Chinese are as averse to being ruled by Japanese as by westerners; indeed, it may be that brought to a choice between these alternatives China would choose a western master. China is intensely hostile to Japan's present continental policy, which she believes is directed against her. Left to pursue a normal development, Oriental nations which are now independent will in time create a stable balance of power among themselves, as has been done in Europe. Japan's continental ambitions are meeting with opposition even in Japan. Some Japanese statesmen draw a parallel to England's former continental policy in Europe, which kept the nation continually involved until it was abandoned, and expect a like fate for Japan's new ambitions. Those who hold this opinion are, however, now too few to influence Japan's policy, and fear that its aggressive features can be checked only by a reverse. The destiny of the Orient, in comparison with the West, ultimately will be measured by the position of China.

Meanwhile, it is evident that Japan now is the most

virile disturbing factor in the Far Eastern Question, which entitles her modern activities and present situation, in all their important bearings, to priority in any comprehensive examination of eastern affairs.

CHAPTER II

JAPAN'S NEW ECONOMIC REGIME

JAPAN'S ADVANTAGES IN EMBARKING UPON A NEW POLICY
— FEATURES OF THE POLICY — PATERNAL CONCEPTION OF GOVERNMENT — ECONOMIC SITUATION OF THE NATION — GENESIS OF THE NEW IDEA — NEED FOR REVENUES — GOVERNMENT CONTROL OF INDUSTRY — FORMS OF ENCOURAGEMENT APPLIED — PART PLAYED BY THE BANKS — THEIR RELATION TO THE GOVERNMENT — METHODS EMPLOYED — USE OF SUBSIDIES — COMMAND OF TRANSPORTATION FACILITIES — SUPPRESSION OF INTERNAL OPPOSITION — THE NEW PROTECTIVE TARIFF — RESOURCES OF THE COUNTRY — OPTIMISM OF THE PEOPLE.

IN embarking upon a new national policy Japan was not hampered by some matters which under similar circumstances would impede and restrain many other nations. Her position is something like that of the United States of America when the colonies formed a federal government. As the Americans then were able to begin a new political career without having first to break the full force of old ideas and institutions, so could Japan, after her victory over Russia, adopt an aggressive imperial policy with slight internal opposition. The force of old traditions and customs already had been broken. Japan had accepted the modern idea, and her people are more easily swung, at this period, to support what is presented to them as an advanced policy or system than the people of any western nation would be. The success of the war established the militant oligarchy in complete con-

trol, and for the moment the national spirit was peculiarly susceptible to any proposal to which was tacked the national banner. And the flag adroitly was hoisted over the new paternal policy, which in its initial processes moved with all the energy a common national impulse could give.

Some methods of Japan's new economic regime exhibit commercial and industrial paternalism in an extreme form. Here we find, for the first time in modern civilization, a great government extensively operating as a business corporation, and including under its direct control and supervision all activities which enter into the proposition. Here are exemplified in some degree the forms, or a substantial semblance of them, which may result from a socialistic movement should it eventually be successful in the West.

In entering upon this venturesome policy Japanese statesmen apparently were influenced by complex and partly antagonistic motives. Japan's economic disadvantages are such, in comparison with present and prospective competitors, that her statesmen feel the necessity of throwing united national energy into the new industrial and commercial movement. They reason that if left to follow their several bents the national activities will be too much diversified, and energy and time be lost through effort directed along unprofitable lines. In this idea lies the theoretical genesis of the new policy; but its practical incentive and origin are found elsewhere; and lest western advocates of government paternalism should too quickly point to Japan as a shining example (as some are inclined to do), it may be well to consider the circumstances which influenced her in assuming such an extreme position. For although there are sincere believers, among Japanese statesmen, in the soundness of the new system, it has from its inception been opposed by

many thoughtful men in public life, and could not so quickly have been entered upon by the Government under normal conditions.

Termination of the war with Russia left Japan with many grave problems to be solved, and of these the more urgent was the state of the nation's finances. The Government required money, and imperative necessity for revenue was a primary, perhaps the chief reason for its taking control of certain industries and utilities. This urgency became acute soon after the outbreak of war, when it was necessary to create new revenues and increase old ones, and when collateral to secure interest on foreign loans must be found. Under these circumstances the Government took over the tobacco, salt, camphor, opium and some other minor industries. When the war ended the funds of the nation were nearly exhausted, and a large national debt and interest charge had accumulated. More revenue was needed; so the Government cast about for any industries and utilities which might be operated at a profit. These matters are now mentioned not to call attention to Japan's financial situation, but to point out that the nationalization of industry policy was not a result of consideration of the whole proposition on its merits, as some casual western comment seems to assume, but was largely due to immediate and imperative need for revenue.

Control by Government of certain industries and utilities with a view to their better regulation and to provide revenue is in itself no novelty. The general plan is as old as civilization, and has in the past been attended by varying success and failure. In so far as it has devised a system to develop and advance national interests, the Government purposes to directly lend its assistance to forms of industry that promise a profitable future. Not

everything is to be specially promoted, although proposed activities in this line cover a wide field, from encouragement of culture of raw products needed in manufacturing to assistance in getting products to a market. The Government takes upon itself to determine which enterprises to promote. It is easy to see that here is involved a proposition that might strain the wisdom of a Solomon, but Japanese statesmen undertook it with an assurance that did credit to their nerve, even if there might be misgivings about the soundness of their judgment.

Such a system pivots upon the three usual bearings — financial, industrial and commercial. The financial side operates through the banks, which in Japan often are directly associated with the Government. Great financial institutions like the Nippon Ginko (Bank of Japan), the Yokohama Specie Bank and the D'ai Icho Ginko (The First Bank) really are as much a part of the Government, in regard to transactions which may affect the national interest, as the departments of War and Foreign Affairs. Through them are negotiated foreign and domestic loans of any magnitude, and they always are ready, at the suggestion of the Government, to come to the support of private or national enterprises which may need assistance. It would, I think, be interesting to elucidate some methods of Japanese banks in these transactions, particularly in regard to placing Japanese national and industrial bonds abroad; but a single example may serve for illustration. In the effort of the Government to exploit Korea and Manchuria and establish Japanese commerce so firmly in those localities that it cannot be disturbed by competition, an arrangement was effected by which the banks make loans to Japanese mercantile firms exporting to the continent at a reduced rate of interest, with rebates to those which are able to do an annual busi-



HEAD OFFICE OF THE NIPPON YUSEN KAISHA, TOKYO.



FINANCIAL CENTER OF TOKYO.

Here are the Nippon Guiko (Bank of Japan) and other important Banks.

ness of a stated magnitude. Banks cannot do legitimate business after this method, and it is worth while to inquire how those in Japan are able to manage. When the war ended the Government fortunately had in its possession the proceeds of the last foreign loan, which, taking advantage of Admiral Togo's naval victory, it had favorably placed in England, Germany and America. Part of this money was deposited with several of the larger banks, to be disposed as the Government directed. Some of it was used to finance the new economic system and was loaned, in some instances, at a lower rate of interest than it costs the Government. The difference must be supplied out of the national resources somehow, but this is a detail to which the Japanese people were in the beginning apparently blind.

Some internal results of this policy, whatever they may be, will affect in no material degree, except as object lessons, or the interests of foreign holders of Japanese securities, the welfare of western nations. But one phase of nationalization of industry and commerce carries broad international possibilities. Competition in trade is a general condition, and often is stimulating; and hitherto it chiefly has been confined to individual or corporate entities. We now see it added to the direct national activities of a cohesive and energetic nation. The possibilities are many. It may be, should Japan's daring innovation be successful, that commercial and industrial rivalries of the future will become, to an extent not thought of today, international affairs. Not only does the logic of this proposition presage such a development, but Japan deliberately announced an intention to drive other industry and commerce out of certain fields, and is marshalling the national energy and resources to support the movement. This conflict probably will at present be limited to

the Far East, in its direct manifestations, but it is conceivable that in time it may become a world policy, since promise of ultimate success may cause competitive nations to imitate and extend it. The present disposition and tendency of greater nations to mitigate their tariffs, by reciprocity, in the wider interests of civilization may find in the new Japanese system a check, and a reversion to tenets which broader humanitarian spirit of the times considers antiquated and deplorable be among its results.

In promulgating her new system Japan uses both the direct and indirect methods — that is, ownership and subsidy; which clearly indicates that the end, and not the means, is at present the chief consideration, since analysis of the two methods reveals inconsistencies, even antagonism. Of the two methods, the subsidy, either by direct financial bonus or protective tariff, now covers the wider field. In applying these long-used devices to the development of her industry Japan has invented nothing; in fact, I have yet to discover the true germ of invention in any of her material activities. But she has gone further than western nations usually venture, and has taken advantage of circumstances in ways outside the pale of business standards set by the West. I refer to the wholesale confiscation of commercial reputation and good-will, as represented by copyrights and trademarks, which Japanese manufacturers and tradesmen have so freely exercised in recent years. It is not necessary to here review this old charge: but it is vital, and will not down until corrected. Even in industries owned by the Government this abuse has a foothold, particularly in the manufacture of arms and military and naval supplies.

By her use of direct subsidies Japan is covering a wide field. In manufacturing, various textiles are subsidized, particularly cottons; in agriculture numerous raw products

are encouraged and assisted, and in transportation the large shipping companies virtually have become a part of the Government, so closely are their policies connected. The Government, through the banks, which are able to use public funds to bolster private credit, has encouraged and assisted in the importation of machinery, to be used in inaugurating new industries and extending old ones. In some of these enterprises the Government is reviving projects which previously have failed under private direction, and even Government control; as the steel industry, and some dock and ship-building plants. Every effort is made to discover natural resources of the country that are susceptible of profitable development, and wherever such are found the Government has been ready to promote, at least indirectly, a company to exploit it.

But Japanese statesmen realize that it is one thing to make products and another to sell them. The market in Japan can to some extent be controlled by handicapping foreign products through a tariff: but Japan's goal is commercial supremacy in the whole East, and this means that she must meet competitors in regions where she has not yet secured the advantage of political control. So she is devising ways and means to defeat this competition, and some of them are extremely interesting and significant.

An agency employed in pushing Japanese commerce outside the national boundaries is the transportation facilities at the command of the Government. These facilities now amount to a monopoly by land and sea. The Government owns and operates all the railways; and the great shipping companies, such as the Nippon Yusen Kaisha, the Osaka Shosen Kaisha and the Toyen Kisen Kaisha, are directly subsidized and practically a part of the Government system. Combined the three great subsidized companies operate more than 200 vessels, with a total tonnage

of over 400,000 tons. In creating and holding up her merchant marine Japan subsidizes all along the line. To vessels built in Japan a special subsidy is granted, and material for their construction which must be imported from abroad is admitted free in most cases. When ships are put into commission they are again subsidized; in the case of the Nippon Yusen Kaisha, to the extent of 100 per cent. on the actual investment, and 34 per cent. on its present capitalization. So, should circumstances make it desirable or necessary, these companies are able to operate without ordinary revenue.

An important factor of the new economic movement is the tariff law which went into effect on October 1, 1906. At the time this measure was proposed and during the period when it was being considered by the Diet an attempt was made by the Government to give an impression in Japan and elsewhere that it was solely a revision for revenue, but in its finished form it is unmistakably revealed as a protective tariff, and evidently is one of the forces by which Japan hopes to assure to herself commercial and industrial supremacy in the East. Examination of the new schedules clearly reveal the protective intent. However, like other of Japan's new activities, it is by no means certain that a protective policy will be an unmixed benefit. A protective tariff in Japan, like such institutions elsewhere, has inherent in it and will develop opposing and detrimental forces. Indeed, such opposition appeared before the bill became law, notwithstanding a peculiar political situation which handicaps outspoken opposition to the Government. The popular cry is for a new Japan, and persons who think that measures proposed by the Government are unwise are apt to be shouted down as opponents of national advancement. This especially is true of arguments designed to demonstrate weakness

in the Government's policy which may penetrate abroad. Such opponents have been accused of lending their influence to break down the national credit, and in the ebullition of intense nationalism which followed the war this cry was quite enough to discomfit the average Japanese politician and business man. Nevertheless, influential sections of the press and public always have been bitterly hostile to the new economic tendency, and while this opposition proved futile because the Government was able, for the moment, to mask its protective policy behind its revenue necessities, it is certain to gain cohesiveness and strength.

There are men in Japan who are not easily swayed by such restraining influences. Among these is Count Okuma, who is too strongly entrenched in popular esteem to be easily assailed and too advanced in years to have selfish ambitions. He frequently voiced the views of the opposition both in and out of the Diet. In a speech at Osaka in 1906 he warned the nation against too hastily embracing the protective policy, and said:

"Those in favor of a policy of protection for Japan too often mean by the phrase a policy of retaliation, and retaliation can work both ways. Japan at present produces nothing which the world cannot do without, and it therefore follows that Japan's policy should be to place her goods upon the foreign markets at the lowest possible price, avoiding as far as possible giving cause for retaliatory duties against her. . . . The main point as to the origin of the increased revenue expected from the customs duties when Japan recovers her tariff autonomy and finally launches out into a protective policy. Apparently golden hopes are placed upon the results of this deliverance. It has even been stated that one cause of the high tax on land

is largely due to the control which the foreign Powers have so long exercised over the Japanese tariff and, by implication, that the recovery of tariff autonomy will enable the farmer to eat his own rice. For this to happen we must conclude that, after deducting the expenses of collection, the whole of the customs duties are net profit to the government; or, in other words, that the duties are paid by the country from which the goods are imported. That this is not the case is at once seen by the fact that an increase of duty means a rise in the price of an article in the country imposing the duty, and this to the actual consumer often amounts to proportionately more than the rise in duty. In those cases the consumers pay the duty themselves, and the customs revenue, so far from being a national asset, is merely another form of taxation, paid by the people."

This briefly outlines the new Japanese business system. I have not now attempted to demonstrate its merits and demerits, but merely have sketched its principal features. In it the paternal idea is carried nearer to its logical conclusion than recently has been exhibited elsewhere on a broad scale, and the world will watch eventual results with interest, perhaps with some anxiety. One way of looking at it, this system is ideal. It places all major national activities under a common direction, presumably the best the nation can supply; in Japan it centralizes administrative authority in the hands of a score or so men. If we assume that these men will decide wisely in all or a majority of matters they are called upon to direct we may anticipate a great success. The plan probably will be a substantial success or a substantial failure; for if, perchance, the wrong path is taken, everything may go down together. It is apparent that activi-

ties that are not included in the scope of governmental encouragement will suffer detriment by comparison, and many economists believe that commerce and industry thrive best when left free to follow their natural bents.

One cannot fail to be impressed by the energy and enthusiasm with which Japanese threw themselves into the national expansion movement. The national spirit engendered by the war was, in the beginning, cleverly shifted by Japanese statesmen into the pursuits of peace, where for a time it was directed by the same skill which carried to success the military and naval operations. But war and peace are different conditions and, in the course of history, usually have required different management. Even in war, as it progresses, enthusiasm subsides and belligerency becomes mechanical, its incentive being chiefly supplied by discipline. In its earlier stages Japan's new regime assumed a decidedly belligerent attitude. The people were summoned to its support as by a call to arms, and with the intoxication of victory still coursing through their veins they responded. A reaction was inevitable, but this initial enthusiasm, while it lasted, gave to the movement a tremendous impetus.

The sudden industrial expansion which was chiefly caused by the new policy bore from the first, to those who looked beneath the surface, an unstable aspect. It is evident that it was based upon the same resources and opportunities, so far as Japan proper is concerned, as existed before the war, for the national wealth and resources were not immediately increased by the war. The land and people remain practically the same. Every country is constantly going through a process of evolution which offers opportunity for creation of new industries. This process, however, usually is gradual. Great and sudden advances of capitalized wealth sometimes have been made

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in other countries, as, for instance, in the United States; but this always has been the result of a general increase of wealth, and has followed, not preceded prosperity. Japan seemed to wish to capitalize her victory over Russia before its effect upon the imagination of the world waned, and before some of its fruits turned to Dead Sea apples in the mouths of western nations. She could not wait upon prosperity; she must anticipate it, and reap its rewards, if possible, before it really had arrived. That such a policy is fraught with perils as well as favorable possibilities is plain, and there were Japanese who pointed out dangers in its path; but optimism and self-confidence carried the day, the policy was launched with flying colors, and the Japanese people then had no choice, apparently no wish except to support it.

CHAPTER III

JAPAN'S FOREIGN TRADE POLICY

BROAD POLITICAL PURPOSE INVOLVED — JAPAN'S GEOGRAPHICAL POSITION — ITS RELATION TO THIS QUESTION — JAPAN'S ASPIRATION TO ORIENTAL LEADERSHIP — PREMISES OF INDUSTRIAL CONTROL — POLITICAL DOMINATION IMPORTANT — ECONOMIC ELEMENTS — COMPETITION TO BE MET — ORIENTAL OBSTACLES — JAPANESE METHODS — LEGITIMATE AND ILLEGITIMATE METHODS CONSIDERED — THEIR APPLICATION TO ASIA — INTERNATIONAL BEARING — A HYPOTHETICAL EXAMPLE — JAPAN AND CHINA — THE LION IN JAPAN'S WAY — INTEREST OF THE WEST IN THIS PROBLEM.

PROBABLY no phase of Japan's post-bellum activities is more illuminating than the relation of the Government's foreign trade policy to her national ambitions and designs. This lends peculiar interest to the methods, in so far as they have found practical expression, which recently have been employed to promote Japanese industry and commerce throughout the East; for these methods are in themselves a revelation of national characteristics and point of view, and also are significant as indicating the fundamental trend of a broad political purpose.

Economists who have made a study of the subject agree that Japan's geographical situation and natural resources inevitably will limit advancement of the nation in comparison with some others unless she manages to secure and retain a leading industrial position in the sphere of her probable influence. It may be that some Japanese statesmen, in projecting their imaginations into the future, have

a vision of a revivified East under Nippon's leadership making an industrial conquest of the West, but it is not now feasible for this idea to take practical shape. If it ever should be possible, two things must first be brought about: industrial reorganization of the Orient, and the establishment of Japan in a position of leadership. From the present Japanese point of view, for the first condition to come about except in conjunction with the second will be a calamity to Japan, since it will establish her in an inferior position by awarding first place to a rival. As political entities are now organized in the East, it is clear that Japan has there only one serious rival for industrial supremacy, which in this case is likely to carry with it political supremacy. This is China; which makes industrial domination of China an objective of Japan's economic policy.

In competition for industrial superiority between nations, either of two major conditions may decide the issue: advantages of location and natural resources, and political control within the area of operation. For instance, if Japan now had undisputed political control over eastern Asia the question of leadership in that part of the world, as between Oriental nations, would perhaps be permanently settled. But the greater part of eastern Asia is now politically controlled by China, and if this condition continues any competition between Japan and China for commercial and industrial superiority will depend upon their comparative resources and the use to which these are put.

As to natural resources of Japan and China, the divergence is so great that comparison hardly is possible. In every material matter which applies to the proposition China has enormous fundamental superiority. In respect to inanimate resources, she possesses abundantly within

the borders of the Empire almost all elements which enter into modern industrial production; and her people are as capable and far more numerous than the Japanese. Of natural resources which play an important and essential part in modern industry, Japan produces none to any considerable degree, and it is not probable that she ever can do so economically in comparison with other countries. Any great industrial development in Japan necessarily will depend upon raw materials imported from abroad. In this, Japan's situation is similar to that of England; and hope for success lies in her ability to create a condition by which she economically can manufacture for the Orient. To bring raw material to Japan, manufacture it there, and export the finished products to other countries is quite feasible in a practical sense: but whether it is economical will depend upon conditions and the competition which is encountered.

In the case of Japan, this competition assumes two forms: Oriental and Occidental. In making a bid for industrial supremacy in the East, Japan enters into competition with a West long familiar with modern usages of commerce and production, and whose machinery for carrying forward this work already is organized and in good order. Such progress as Japan has made in modern industry, which is considerable, indicates that it will be many years before she can develop efficiency equal to the West as expressed in the output of human units. Development of economic superiority will largely depend, therefore, upon cheaper labor. Japanese labor really is not as much cheaper than western labor as the difference in wage scale intimates, but there is no doubt that Japan thinks she now has an advantage in this matter which will help to offset obvious disadvantages elsewhere. In the United States Japan has an industrial competitor

which produces at home the greater part of raw materials needed for extensive industrial organization, and which has cheap and convenient access to eastern Asia; benefits not possessed in the same degree by any European nation. Recognition of this has led Japanese economists to regard America as Japan's most formidable future competitor among western nations.

Oriental obstacles to complete success of Japan's policy take somewhat different shape. Here China looms as the more prominent, in fact the decisive factor. In the whole East China can better and more cheaply produce the raw materials which Japan requires, and China also provides the more capacious and promising market for Japan's manufactures. Thus, in the plan now outlined, China is assigned the parts of both producer and consumer for Japan's industrial expansion. As China has plenty of cheap labor herself, will she not, if left to follow her natural course, prefer to develop an industrial system of her own rather than be dependent upon Japan? Should China answer this question affirmatively, she evidently will be in a position of vantage in comparison with Japan unless the latter can devise and execute ways and means to influence China's course.

This glance at fundamental elements which are involved will, perhaps, afford a clue to some manifestations of Japan's new policy as revealed by actions of the Government in Japan and on the continent of Asia. The means which are employed by Japan to develop her internal industrial system and its necessary continental adjuncts of market and supply may be separated into two classes — legitimate and illegitimate, as these terms ordinarily are understood in the West. The chief legitimate methods are: (a) protective tariffs, (b) subsidies, (c) financial support, (d) free transportation of products, (e)

rebates and bonuses on exports, (f) organization and centralization under Government direction. The principal illegitimate methods are: (a) secret remission of taxes and duties, (b) secret rebates of transportation charges, (c) exercise of military and political authority to handicap competitors, (d) imitation and counterfeiting of competing articles.

It may be well here to state that these allegations are not based upon actions or characteristics of individual Japanese or even of leading Japanese firms, but should be distinctly understood to apply to the Government of Japan; and in submitting some specific instances to illustrate the matters under discussion, only such as can be laid directly at the door of the Government will be mentioned.

Of legitimate methods, it may be said that all of them are used, in some form, by western nations for a similar general purpose; but Japan has carried the centralization theory farther in practice than is usual in the West. The Government now owns the railways and controls the greater steamship lines; by substantial control of the greater banks it dominates the finances of the nation; it has monopolized several important industries; by partial ownership and by means of various forms of subsidy it controls many of the larger industrial enterprises; and by concentrating these powers and through ability to tax the people for their support, the Government can throw the weight of the national energy in any direction it seems desirable that it should take. As an example of stimulation of industry by this method may be cited the budding cotton manufactures of Japan, and I quote from a recent United States consular report on this subject:

"The most important phase of this question of government aid to industries in Japan, and especially to cotton manufacturing, lies in the fact that the entire Government is behind the industry in so many ways as to make it to all intent and purpose, so far as international competition is concerned, a Government industry. The Government sustains this industry; first, by protective tariff; second, by organizing a trust for marketing the goods; third, by advancing money to carry on the enterprise at 4½ per cent. interest; fourth by cheap rates of transportation on lines controlled by the Government. With these various methods of support it is clear that foreign cotton manufacturers expecting to hold their trade in the Orient must meet practically the Government of Japan as a competitor. I am fully convinced that this governmental policy will not only continue, but will be expanded to cover many other lines of industrial development."

It may be conceded that any government is at liberty to adopt such a policy with a view to promoting its internal development, and other nations cannot consistently complain, since they also are at liberty to adopt similar or contravening measures. I am inclined to think that this policy, carried to its logical conclusion, will in time of itself create antagonistic forces which will nullify, perhaps wreck it; and while competing nations should not neglect to examine what the possible effects of Japan's new policy may be, there is no immediate reason why the West should be seriously alarmed at its legitimate manifestations. But the illegitimate methods must be differently regarded.

While illegitimate attendants of Japan's trade policy operate internally to the disadvantage of foreign trading nations, their more striking and irritating effects spring



HEAD OFFICE OF THE YOKOHAMA SPECIE BANK AT YOKOHAMA.

from manifestations noticeable in Asia. In Japan foreign traders may feel injured by certain conditions, and complain to the Government, but if satisfaction is refused they have no alternative except to submit; for Japan's right to regulate her internal affairs hardly can be questioned by foreigners, however objectionable some conditions may be. In the matter of imitation and counterfeiting of foreign trade-marks in Japan, there are indications that the Government at last intends to take action to protect foreign manufacturers and merchants; although it appears that need to reassure foreign exhibitors at the next Tokyo exposition is partly responsible for this moral awakening. But on the continent, and especially in China, other foreigners presumably are on the same footing as Japanese, and are not disposed to permit Japan to arrange matters to her satisfaction in contravention of other foreign interests. The application of Japan's policy to Asia is, therefore, an international affair.

The means of directly applying this policy to Asia are control of transportation lines plying to and entering the continent, such as the Japanese steamship lines and the Japanese Government railways in Korea and Manchuria; and control, by military occupation or indirect exercise of political authority, of portions of continental territory, and of continental entry ports. Possibly the means employed to promote Japanese interests on the continent, and the relation of the Japanese Government to this matter, may best be briefly illustrated by example; and in presenting a hypothetical case I make use of conditions which I know, in the sense of being absolutely convinced by positive and circumstantial evidence, to represent facts. Let us, then, trace some Japanese article of commerce through its process of production and then to a market in Asia.

For the article cotton will answer, since it is a staple directly supported by the Japanese Government, and some of the mills are controlled by the Imperial Household.

The raw cotton will be brought from India, America or China by the Nippon Yusen Kaisha (owned by the Imperial Household and government subsidized); it enters Japan free, or has a duty rebate; it is manufactured into goods by the Nippon Spinning Company (a subsidized industry in which the Imperial Household is interested); it is exported to Manchuria under a bonus paid by the Government; it is carried to Manchuria by the Osaka Shosen Kaisha (a subsidized steamship line in which the Imperial Household is interested); it enters Manchuria through a port controlled by Japan, and where the duty is removed altogether or secretly rebated; it is transported to the interior by the South Manchurian Railway (owned by the Government) at reduced rates; it is sold in Moukden, let us say, by a Japanese shopkeeper who, owing to Japanese military control of the country, does not have to pay local taxes, and who enjoys other immunities; its sale is further encouraged by one of two forms of trade-mark imitation, either a counterfeit of a competing article which is familiar and popular among Chinese consumers, or by pushing an imitation of inferior quality into the market for the purpose of undermining the reputation of the competing article which is thus counterfeited; and the Japanese merchant is afforded further advantage through manipulation of the currency by a Japanese bank.

I do not, of course, wish to be understood as contending that all articles, or any of them, have applied to their introduction to the continent all the various forms of encouragement mentioned in this illustration; but I

assert that all of these forms have at times been applied to stimulation of Japanese trade in Manchuria, and sometimes to articles in which the Japanese Government has a monopoly. A similar policy also has operated, under somewhat varying conditions, in Korea. In other parts of China it has not been possible to apply some of the "encouragements" indicated, for the political control required to make them effective is lacking; but in the important matters of marine transportation and imitation of competing articles Japan's method has in the last three years left its footprints throughout the whole East.

One instance of illegitimate promotion of Japanese trade in China which has come definitely to my notice is peculiarly significant in several ways. Early in 1908 a foreign trading firm in the East discovered that one of its new "chops" specially designed for the Chinese trade, and which was duly registered at Peking (which is all the protection possible now to give foreign trademarks in China), at Tokyo and in other countries, was being imitated. The imitation, which was of an article monopolized by Japan in her own territories, was quickly traced to its source; whereupon the foreign firm began a correspondence with the Japanese Government, politely calling its attention to the matter. The Japanese monopoly replied, expressing regret at the occurrence, which it attributed to error rather than intent, and giving assurance that the offending "chop" would be withdrawn except from Japan's territories, where, owing to the existence of a monopoly, its competition will not injure the original. With this reply the foreign firm was forced to be content; but it soon learned that the imitation article was still actively being pushed in Korea and Manchuria. Another protest was addressed to the Japanese monopoly,

which was reminded of its previous assurance. To this the monopoly replied that it does not consider that its promise to withdraw the "chop" applies to Korea and Manchuria, intimating a refusal to act further in the matter. This incident is extremely interesting on account of its tentative assumption that Japan's monopolistic rights apply to Korea and Manchuria, as well as being illustrative of her official attitude toward certain phases of commercial ethics.

In scrutinizing some aspects of Japan's trade policy, the fact that many of the major industries which are being actively pushed by all the force at the command of the Government must depend upon China for raw material compels attention. This especially is true of the two great staples, cotton and iron. It is clear that should China ever fully recover her political and fiscal autonomy she may interpose a protective tariff of her own between her infant industries and Japanese competition, which, with ample labor and raw material ready to hand, might establish her superiority. China already is waking to Japan's attempt to monopolize the shipping trade of the Far East, and the China Merchant's Company, which is controlled by the Government, is preparing to extend its service to Europe and America. I was informed that an American shipping line in the Pacific has been approached with a view to the establishment of a working agreement with the China Merchant's Company to compete with Japanese lines, and it is by no means improbable that something of this nature will occur. The American line in question is now in an agreement with one of the Japanese subsidized lines, but it is known that the latter frequently violates its agreement by granting secret rebates to shippers. Japan's announced intention to dominate the carrying trade of the Pacific (as per Nippon Yusen Kaisha

annual report, 1906) caused uneasiness among American, British, German and French lines which ply to the East, and subsidies are by some advocated as the only way to prevent American and other western shipping from being driven from the Pacific. One hardly knows what view to take of this issue. It is not clear how American trade with Japan and China will suffer as long as the Government of Japan taxes Japanese to carry our goods cheaper than they can be transported by American ships. But it is contended that as soon as Japan has, by cutting under western lines, driven them from business in that part of the world, she will begin a process of secret discrimination against foreign cargo which will give her industries decisive advantage. There is much in Japan's past and present actions that sustains this presumption. That China has no mind to yield eastern waters undisputed to Japan is shown by tentative activity of the China Merchant's Company.

In pursuing her ambition to commercially dominate the East Japan now finds, in addition to China, a lion in the way. This is the United States. If American diplomacy actively interests itself in preserving the integrity of China and the "open door," it will be very difficult for Japan's policy to continue to make headway. I am continually astounded at the attitude of some American public men and newspapers toward this matter. Many seem to assume that Japan's aspiration to dominate China is entirely "legitimate," and apparently are oblivious to the fact that, assuming this to be true, it is at least equally "legitimate" for China to prefer to manage her own affairs, and for nations whose interests may be adversely affected by her disintegration to exercise their influence to preserve her. One who is familiar with both peoples and countries well may wonder what

Japan's alleged title to Oriental leadership rests upon. That Japan must find an outlet for her multiplying coolie population, which surely will be rejected by the West, may be admitted; but her right, in sending them abroad, to make them pioneers of her political advancement is questionable. China may receive these Japanese willingly enough, but she will entirely absorb them unless extraordinary means to preserve their racial and national solidarity are employed, and this can be done only through direct application of Japan's political sovereignty.

The West, which has more than a commercial interest in the solution of these issues, well may consider whether further extension of Japan's trade policy, as expressed by its prevailing commercial ethics, can be reconciled to western interests in the East.

CHAPTER IV

JAPAN'S FOREIGN RELATIONS

PRESENT DEMORALIZATION — POSSIBLE EFFECTS UPON OTHER NATIONS — JAPAN'S MODERN FOREIGN POLICY EXAMINED — ITS ORIGIN AND DEVELOPMENT — AFTER EFFECTS OF THE PEACE TREATY WITH RUSSIA — FALL OF THE KATSURA CABINET — HAYASHI'S ADMINISTRATION OF FOREIGN AFFAIRS — BASIC PRINCIPLE OF HIS POLICY — ITS CHIEF OBJECTIVE — RELATIONS WITH CHINA — DIPLOMATIC MOVES AND ERRORS — DISINTEGRATION OF HAYASHI'S POLICY — REASONS FOR ITS FAILURE — DECLINE OF JAPAN'S PRESTIGE — HER RUPTURE WITH AMERICA — EFFECTS OF THIS INCIDENT — THE ATTACK UPON HAYASHI.

THAT the years 1907–8 witnessed a serious demoralization of the foreign relations of Japan, by undermining sentiments and beliefs which formerly gave them vitality, is becoming recognized in Japan, and must by now be partly appreciated throughout the world.

This condition is, in its application to other nations, one of the more striking results of Japan's modern international policy, and the combination of circumstances which has brought about the situation that now exists provides an interesting field for investigation and speculation. The policy may be separated into two periods: one of origin and development, and one of reaction and decline. Hardly more than two years sufficed to accomplish this transition, to which great importance is attached both because of its revelation of a nation's ambitions and capacity, and on account of its possible culmination.

That the foreign relations of Japan rather than her internal affairs chiefly have occupied her statesmen since the Russo-Japanese war is indicated by many contributing evidences, and seem to have been the first concern of the Government. The war merely was a step toward a goal which does not lie within the reach of Japan's purely internal activities, and it was necessary to pave the way for the next step. The conclusion of peace, however, precipitated an internal political crisis. The Portsmouth treaty was very unpopular in Japan, and led to the downfall of the Katsura cabinet, and the decline of the political influence of Count Komura, who had steered the nation through the war. In the administrative reorganization which followed, Marquis Saionji became premier, and Viscount Hayashi, fresh from his successful conclusion of the new Anglo-Japanese alliance, took the portfolio of Foreign Affairs. It may be said, then, that development of Japan's expansive policy took place under Hayashi's administration, and no matter to what extent he personally contributed to certain diplomatic moves and their results, he was required to publicly assume responsibility, and became the target for attacks of the opposition in the Diet.

The basic principle of the policy which Hayashi was called upon to promote is the economic and commercial domination of the Far East by the use, if occasion requires, of the military and naval strength of the nation, and by maintenance of foreign relations which will not actively hinder, if they cannot be induced actually to favor such a consummation. Although there are numerous collateral issues, the crux of such a policy turns upon the fate of China; hence the relations of Japan to China became an important consideration. In establishing rela-

tions with China which might lead to eventual fruition of Japan's ambition, either of two courses was open: To endeavor to attain the desired end by conciliation; or to depend upon diplomatic intrigue backed, if necessary, by force. There are well-defined evidences that, in the early days of the Saionji ministry, there was a strong section which favored the first mentioned policy, and for a time a middle course was pursued. It is, however, no longer possible to doubt that for some time the latter policy has been definitely in the saddle; indeed, it is doubtful if an alternative ever was seriously contemplated, although international expediency may have for a time held the Government, at least outwardly, in check.

The diplomatic moves by which Japan has compromised anticipated western obstacles to her policy in eastern Asia, except with the United States and Germany, will be reviewed later; but the relations between Japan and China, which seem to be rapidly moving toward a climax, require consideration. In any domination of China by Japan, complete political control of the former by the latter would be the ideal condition, and may be assumed to be Japan's ultimate theoretical objective. It is clear that such a condition, assuming its accomplishment to be possible, will take a long time to bring about. If only China was to be considered, complete political control of all her territory by Japan probably could be brought about by a war begun before China acquires modern military efficiency, although such an undertaking would not be so easy as may appear on the surface. But it is highly probable that any present attempt on the part of Japan or any other nation to accomplish a military conquest of China would encounter active resistance from other quarters. So Japan has felt it prudent to, for the

moment, be content by establishing herself in possession of that part of China's territory which she now controls, and in pushing her interests throughout the Empire.

It was in doing this, or rather in failing to act with enough circumspection, that Japan's foreign policy came to grief; and that the apparent stones over which it has stumbled do not lie in China and are not outwardly associated with conditions there does not alter the fact that in Japan's attitude toward China lies the real difficulty. But as seemingly extraneous matters have provided the more obvious manifestations of the relative decline of Japan's diplomatic position in the world, it is interesting briefly to follow the recent course of some of them.

Among these the questions which have disturbed the relations of Japan and the United States are the more important, since they and some of their results have directly contributed to place Japanese diplomacy in the difficult position it now occupies. It is probable, almost certain, that a revulsion in American popular sentiment toward Japan would have come in time even if nothing specifically to strain it had occurred. A reaction from the inflated notions of Japan and things Japanese which prevailed in the West at the end of the war with Russia was inevitable. No nation on earth, assuming that it deserved the reputation Japan then popularly enjoyed, could have lived up to it. That such exaggerated conceptions of Japan never were correct is perhaps now realized by intelligent westerners; but it is probable that Japan would have been able to utilize for several years yet in a practical political way the immense advantage which it gave to her, and perhaps to have avoided a violent reaction even then, had she not short-sightedly elected to spring a diplomatic diversion upon the United States in the California school incident.

A comparatively short time has passed since this matter was thrust into the international limelight, but it has been quite long enough to intimate that it may be one of those minor diplomatic blunders which sometimes, by setting into motion greater forces, exercise a decisive effect upon the fate of nations. It was difficult, I found, to discover in Tokyo the man who conceived the idea of giving the school matter international prominence. No one is now willing to father this discarded diplomatic foundling. In following the concerted attempt, recently, to give to the world an impression that cordial relations between Japan and the United States now are entirely restored, it was interesting to note that the school question was entirely ignored. The Japanese Government organs, in rushing to the defense of Viscount Hayashi's administration of foreign affairs when it was being criticized in the Diet, almost unanimously selected as the important questions with which he dealt the following: emigration to the United States; emigration to Canada; and the negotiations with China in regard to Japan's position in Manchuria. No resume by any Japanese pro-Government newspaper of the major diplomatic issues of the Hayashi regime mentioned the San Francisco school incident.

The foregoing enumeration of greater issues of the Hayashi administration is estimated in correct perspective, in the light now thrown upon them; although it may strike some as significant that the recent Russo-Japanese and Franco-Japanese agreements were not considered sufficiently important to be included. The question of Manchuria is fundamentally the more important of the three issues mentioned; but it hardly would have reached its difficult (to Japan) state had not China, taking heart as she observed a deterioration of Japan's influ-

ence in the West, assumed a more determined attitude and actively set to work to secure, through her diplomacy, moral support against the aggressions of her Oriental neighbor. The question of Japanese immigration to Canada has, coupled with other manifestations of Japan's new policy, had the effect, whatever British statesmen may assert to the contrary, of in a large degree destroying the popularity of the Anglo-Japanese alliance among British subjects; which means that it now has slight practical value to Japan in supporting her attitude toward China in the event it brings her into collision with a great western power. And there would probably have been no Canadian immigration question had not the same issue arisen with the United States, for one is clearly a result and concomitant of the other. The practical destruction of the moral support to Japan which the alliance with England formerly afforded has caused, also, a weakening of the ambiguous agreements of Japan with Russia and France, which at best are of negative value, and depend for effect upon Japan's relative international position. Talk of a possible war between Japan and the United States not only has arrested the tide of pro-Japanese sentiment in the West, but has seriously crippled Japan's credit in England and Europe, and practically destroyed it in America. And the immigration question in America might not have assumed definite shape for several years had not Japan raised the school question. What wonder, then, that it cannot now find a political father in the Tokyo administration?

It is realization of the disastrous effect which the quasi-rupture with America has had upon her foreign policy as a whole that now makes Japanese statesmen so sincerely anxious to settle matters under discussion between Japan and the United States, and to have it

understood throughout the world, and especially in China, that no cloud now hovers over the relations of the two nations. Among Japanese interests which would be effected by prolongation of the "situation" with America is the imperative necessity presently to borrow money abroad. Several emergency war loans will soon become due. They can be liquidated only by refunding, which means that Japan must again borrow in the foreign money market. Since for western financiers to refuse to lend her anything would almost certainly precipitate a financial panic in Japan, and depreciate Japanese debentures and securities held abroad, it is probable that other loans for the purpose of refunding can be secured; but the conditions will be affected by Japan's position before the world. A project to have the Crown Prince visit Europe about the time the attempt to market new loans is made was mooted, but there are two objections to such a maneuver. It is probable that this method of stimulating her foreign loans has already been overworked by Japan for one thing; then the Crown Prince is the son and grandson of a concubine, and astute Japanese diplomats are doubtful of how this incidental fact may be regarded by the Almanach de Gotha. Japan is just waking to what a valuable asset she lost when American public opinion began to turn from her, and she is anxious for many reasons to restore herself to favor.

It already is evident that it is in China that Japan will feel the deeper effect of her decline in the estimation of the West. It might have been possible for Japan to have conciliated China, and in time to have secured a commanding position on the continent without resorting to intimidation or force. But it may be that Japanese statesmen surveyed the field and decided that there is not enough time at her disposal to permit slow-moving

diplomacy to work out its end. Japan must act when the opportunity presents, or perhaps see it pass forever. And there is little doubt that in taking this view of the situation Japanese statesmen judged correctly. Should China ever get firmly upon her feet, Japan's dream of being the premier nation in the Orient will fade away; which means that the issue probably must be decided before ten years have passed. So there we have, it seems, a danger period in the East, in so far as Japan's influence will actively and powerfully operate, definitely indicated.

In this connection the relations between China and the United States have intense interest to Japan. Japan knows that her policy is chiefly responsible for the condition which is causing China to turn to the United States, and which makes possible a reorganization of the international balance of power in the Pacific which will have the effect of restricting Japan's ambitions. The existing situation indicates that Japan will have a breathing spell before her continental policy is called before the international court, and that she will devote the interim to an attempt to repair her diplomatic fences and regain some of the ground she has lost confidently may be assumed. It is evident, from political signs to be observed in Japan, that Japanese statesmen count upon this interval.

The attempt by the Progressist party, in the spring of 1908, to impeach the foreign policy of the Government embarrassed the Saionji ministry and was among the causes for its resignation. It was not at all clear that this effort by the Progressists was directed solely at the foreign policy, although it took this form. In some of its aspects it appeared really to be a general attack upon the Saionji ministry aimed at a vulnerable point. In supporting the ministry the Government organs pleaded, with

much consistency, that the matter was inopportunely raised, that its agitation would embarrass the administration and impair the national prestige. The ministry somewhat plaintively protested that it was unfair to direct an opposition attack at the foreign policy when it is in so critical a situation, and when the Government is straining every resource to keep the lid on in Korea and Manchuria. Many persons in Japan attributed this attack to the influence of Viscount Aoki, formerly Japanese ambassador at Washington, who is known to have been at issue with Hayashi concerning Japan's relations with America. On the other hand, supporters of Hayashi contend that it was because of Aoki's failure to follow instructions that the American situation got away from Japan, and ran amuck among her other foreign relations.

But raising this matter at such a time emphasized the patent fact that, on the whole, some one has made a mess of the foreign relations of the Empire. In no other country, probably, is the practical effect of Japan's loss of prestige in the West so fully realized and appreciated as in Japan, where its results already are deeply felt. It seems that Japan's attempt to diplomatically isolate the United States in respect to the Far Eastern Question has resulted in comparative isolation of herself. And in respect to western sympathy, Japan may in time hatch another egg, but she never again can patch together the pieces of the one which she has broken, and which voluntarily was thrown into her lap by a West for the moment filled almost to bursting with a sentimentally warped conception of Nippon and her ideals. That former sentimental enthusiasm is now to some extent replaced by suspicion and distrust cannot be doubted; indeed, this is literally admitted by the more discerning Japanese

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press. Instead of being able to pose as preserver of peace in the East, Japan is regarded by many as the most seriously disturbing factor; and if a disillusioned and disgusted West, resenting her deception of it, should come to consider her an international menace and take diplomatic action to restrain her it will surprise none who is thoroughly conversant with conditions in the East.

CHAPTER V

AMERICA AND JAPAN

JAPAN'S MODERN ATTITUDE TOWARD AMERICA — ATTEMPTED ISOLATION OF AMERICA IN THE EAST — DIPLOMATIC MOVES BY JAPAN — THE SAN FRANCISCO SCHOOL INCIDENT — THE IMMIGRATION QUESTION — WEAK ATTITUDE OF THE WASHINGTON GOVERNMENT — IGNORANCE OF CONDITIONS — CHANGE OF HEART AT WASHINGTON — AMBASSADOR WRIGHT'S DIFFICULTIES — TURN IN THE SITUATION — TRANSFER OF THE AMERICAN FLEET — SOME RESULTS OF THIS MOVE — ELIMINATION OF TRIVIAL MATTERS — REVELATION OF THE REAL ISSUE — DISADVANTAGES OF OBSCURITY IN DIPLOMATIC MATTERS — AMERICA'S SUPERIOR POSITION — ALTERATION OF BALANCE OF POWER — THE OLD JAPANESE-AMERICAN ENTENTE FINISHED.

WITH the passing of some comparatively trivial matters which have disturbed the relations of Japan and the United States, the real issue between the two nations begins to emerge from the obscurity where for a time oblique diplomacy managed to keep it.

The California school incident tacitly was dropped by mutual consent; and the immigration question, while it contains perennial elements of friction, seems to have arrived at a point where tactful handling can accomplish an outwardly satisfactory settlement. This is fortunate; for it marks a turning point in the Far Eastern Question, and may, by causing clearer understanding of the situation, open a way for pacific adjustment of the vast interests at stake.

To grasp this situation as it now exists and as it prem-

ises for the future requires examination of the origin and development of Japan's modern attitude toward America, as it has been expressed through her diplomacy during the last two or more years; and glancing in retrospect at the series of episodes which mark the disintegration of an *entente* which had endured for half a century, it seems to fall into two phases. By the terms of the treaty of peace between Japan and Russia¹ a period of some eighteen months was ascribed for completion by these two powers of the military evacuation of Manchuria, and the restoration of those provinces to the administration of China. Thus an interval was established, a period of transition, during which interested powers were disposed to recognize the existence of extraordinary conditions, and to suspend active prosecution of their own interests. The same condition existed in Korea, although there Japan's suzerainty was established by agreement with Russia, and the tacit assent of other nations.

The time limit for final evacuation of Manchuria expired in March, 1907; and having then no intention voluntarily to relax her grip upon the country and the material advantages which it brought, Japan recognized the necessity of creating a situation whereby she would not be disturbed. England already was disposed of, having thrown her interest in Manchuria and Korea into the balance of the Anglo-Japanese alliance. Russia, with two-thirds of Manchuria and the greater part of Mongolia in her possession, possibly could be compromised with by a mutual agreement with Japan to each hold what they had under cover of military occupation. France, with a well-defined "sphere" in the south, and Germany, with a slice in the central north of China, also might be bar-

¹ Appendix A.

gained with. England tentatively long ago had cast her mantle over the Yang-tse valley.

One great power remained, whose present trade in China and Korea is greater than that of any nation except England, and whose prospects are even more promising; and which will be more injured by closing the "open door" in Manchuria than all other nations combined, because a large proportion of her trade lies in the north. This nation, also, has no "sphere of influence" in China, and will be entirely frozen out politically if dismemberment comes. Such is the position of the United States, and in America Japan recognized the chief obstacle in the way of the project to retain her hold in Manchuria, and if possible to dominate a considerable part of China.

In creating a diplomatic cycle which might, if it becomes crystallized into an international *entente*, practically leave her with a free hand in Korea and Manchuria, Japan had astonishing success up to a point. In time she signed agreements¹ with France and Russia which, under cover of the usual assurances concerning the "open door," guarantees to each substantial freedom within their respective spheres. But the United States remained to be reckoned with. There was slight indication that the administration at Washington was then awake to the actual situation; still less that it contemplated any action to stay the progress of Japan's policy, and actively intervene to preserve China. But Japan knew that the closure of Manchuria and Korea was crippling American trade in those regions, that complaints about this condition were constantly reaching the Washington Government, and that some action in the matter sooner or later must be taken. So Japan cast about for an issue upon which to base a dip-

¹ Appendix B. and G.

lomatic complaint to America, for the purpose of distracting attention from her policy on the mainland of Asia, and creating a preliminary diplomatic offset to anticipated protests from Washington.

The time for making this diplomatic flank movement apparently was chosen opportunely. Negotiation of the French and Russian agreements was progressing favorably, and it was desirable that they should attract little international notice before being promulgated. Complaints about Japan's policy in Korea and Manchuria were beginning to be heard, but public opinion of the world which, by giving attention to such representations, might have exerted moral pressure upon Japan, still slumbered in the misconception of her which military and naval success and a flood of indiscriminating praise had engendered. In casting about for an issue with the United States sufficiently sensational to attract widespread attention, Japan hit upon a condition which had existed for years; the situation of Japanese in the public schools of San Francisco. Upon an opportunity presenting, this matter was advanced in a way to give it publicity throughout the world. In its earlier stages, the incident was handled with great skill by Japan, and with, by contrast, corresponding inaptitude by the United States. It must now be clear even to commonplace intelligence that the Washington Government was, in the beginning, somewhat at sea in regard to this school question, and the collateral issues which were, as the incident progressed, tagged on to it by Japan. Had there existed at Washington, at the time when Japan tentatively sprung this matter upon our Government, more than an elementary conception of broader issues involved in the relations of the United States and Japan, and the conditions which directly and indirectly circumscribe and modify these relations, it

would, perhaps, have been possible to avoid the sensational course which was followed, and to have accomplished the diplomatic shift by less disturbing methods. But this knowledge apparently did not then exist, and the Washington administration stumbled along until partial comprehension of the situation was hammered into it by the progress of events.

Intelligent Americans must by now, in recalling certain events of 1906-7, feel chagrined at the way our Government handled the early stages of the school and immigration incidents. That it, at a suggestion from Japan, was at first disposed to abdicate in the school incident a power to regulate its internal affairs which is a fundamental attribute of any government, and which it had specifically reserved by treaty, is now clear. The diplomatic phase of the incident has vanished — one hardly knows when or where; while the practical issue involved has quietly pursued its course in the courts, where it would have gone at first had not Japanese diplomacy found passing use for it. In respect to the question of Japanese immigration to the United States, Washington, after months of semi-apologetic bowing and scraping, accompanied by intimated threats to coerce the state of California, discovered that not only does its treaty with Japan specifically give our nation the right to exclude certain classes of Japanese, but that Japan long ago exercised her corresponding right by promulgating an Imperial Ordinance¹ excluding some classes of foreigners, which legally applies to Americans. What wonder that Japan, perhaps herself astounded at the way American statesmen "rose" to her fly, should have ventured to press her advantage until it became a boomerang?

The exact cause of the change of heart at Washington

¹ Appendix L.

is not clear, but early in 1907 the administration seems to have apprehended that there was more in Japan's diplomatic maneuvering than appeared on its surface. This discovery caused a sudden reversal in the attitude of the United States. Among other moves to regain lost ground, and restore a parity in the diplomatic relations of the two governments, an American fleet was ordered to proceed to the Pacific Ocean. It is profitless to review the tactless method by which this necessary transition was accomplished. The acceptance by Japan and the world of the fact that the fleet actually was to be moved, and its successful voyage, entirely changed the situation, and marked the turning into the second phase of the negotiations.

Several correlative incidents attended the development of this phase. Among them was the double shift in diplomatic representation at Tokyo and Washington. Considerable interest is attached to these transfers. General Luke Wright, the last previous American Ambassador to Japan, voluntarily resigned his post. He gave as his reason the necessity to attend to private affairs at home; but it is believed by well informed persons in Japan that this was a secondary consideration, and that the real reason General Wright quit Tokyo was because he was disgusted with the weak-kneed and vacillating course of our Government, and with the shiftiness and veiled impertinence of the Japanese Foreign Office. Indeed, General Wright was called upon to act as a diplomatic buffer while Washington was pulling its wits together and preparing to strengthen her diplomacy by giving it some practical support in the Pacific, and the job was not an agreeable one. For months General Wright had to stand the polite bully-ragging of the Japanese foreign office, and patiently to endure the sarcastic comment of the Japanese press upon American political institutions. The discov-

ery of the forgotten Imperial Ordinance brought a change, and made General Wright's way smoother; but he insisted upon acceptance of his resignation and retired.

In this connection it is interesting to note the part which has been played by the Imperial Ordinance in question. Although promulgated in 1899, it apparently escaped the notice of the American minister at Tokyo and of the State Department, for no record of its existence was on file at either place. It was called to the attention of General Wright by an American resident of Yokohama, who hit upon it in the course of legal business and made an investigation of its scope and operation. When General Wright produced it at the Tokyo foreign office it caused consternation, and swept away the foundations of Japan's position by demonstrating that she then was exercising powers exactly parallel in practice and principle to actions of the United States to which she was objecting. Indeed, just at that time several hundred Chinese were arbitrarily deported from Nagasaki. The Chinese minister at Tokyo protested, pointing out that such action is contrary to the spirit of the treaty between Japan and China. The Japanese Government took refuge behind the clause of the Imperial Ordinance which gives to local governors power to exercise discretion in such matters, and said that it could not interfere. And this occurred at a time when the Japanese press was insisting that the Washington Government coerce California by compelling conformation to alleged treaty rights which did not exist.

Whatever may be the considerations which led General Wright to retire, he prepared the way for his successor by clearing it of petty and irritating issues. The arrival of Ambassador Thomas J. O'Brien in Japan was coincident with the visit of Secretary Taft, whose vigorous

speech at Tokyo in September, 1908, helped to clear the air of cobwebs. So Mr. O'Brien was able to take up his duties on a fresh basis, and with the support of a Government which at last knew with some definiteness where it stood and how far it was prepared to go in asserting its position. On the other hand, Japan's attitude also had changed. She knew by this time that her little "bluff" had been called, and that if she was to save a remnant of American good will out of the wreck which she had made of the former *entente cordiale* she must substitute candid dealing for diplomatic evasions. In taking up the immigration question with the Tokyo foreign office, Mr. O'Brien's first task was to make it understand that the United States is in earnest, and that if Japan does not undertake the regulation of her emigrants to American possessions the United States will. I understand that the Japanese cabinet was slow, or at least reluctant to accept this condition as an actuality which must be met by practical administrative process. The foreign office at first replied to Mr. O'Brien's definite proposals that if the United States insisted upon Japan taking action, Japan must decline to yield to such external pressure; but if the proposals were advanced in a spirit of friendly suggestion, Japan would be glad to discuss the matter. These little preliminaries by way of "saving face" being in time got out of the way, the negotiations reached a practical stage, and now seem in a fair way to be peacefully if not satisfactorily adjusted. A somewhat curious feature of the progress of these negotiations is that the chief difficulty which Japan professed to find in acceding to the American proposals, or at least it was so advanced by her, is that Japanese emigration law assigns to local governors the authority to issue passports, and Japan claims that the central Government cannot easily control

the actions of these governors, thus taking refuge behind what really is a "state rights" theory. Although having previously given assurances to the contrary, it was only within the last months of 1908 that the Japanese Government actually began to restrict the issue of passports to emigrants and to regulate the emigration companies. It seems, however, to have accepted the inevitable, and there is reason to think that the Government is now carrying out restriction in good faith as to intent, if with imperfection of method. There is still some quibbling on points, but if final agreement is long delayed it will be because Japan thinks it desirable to for a time hold this issue in hand as a possible offset for other matters.

For in the course of the shuffling of diplomatic odds and ends which accompanied discussion of the so-called American-Japanese situation, the real bone of contention was exposed. This is that perennial storm center of the East, Manchuria; or to convert it into a political expression, it is the "open door" in eastern Asia; or in other words, it is the existence or disintegration of the Chinese Empire, and all that is included therein.

That this is recognized in Japan is shown by the fact that Japanese journals both native and foreign, including the important segment of the press controlled by the Government, have thrown off the mask and openly discuss possibilities of the injection of Manchuria into the relations of Japan and America. The strictly Government organs, which daily voice the viewpoint which for the moment it wishes to give publicity, usually adopt a depreciatory tone, and have printed articles calculated to demonstrate that the interests of Japan and America in Manchuria and China are not antagonistic. But the attempt to conceal the fact that Japan's policy in Asia is the real issue between the governments already is substantially

abandoned, as a diplomatic pose which has lost power to beguile.

There are indications also that the press of America and Europe, or at least a portion of it, is beginning to perceive the truth. One can understand, however, that the truth about the Far Eastern situation, in so far as it applies to America and Japan, will be reluctantly accepted by many Americans, and regarded by them as likely to inject a fresh cause for dissension into relations on the point of being fully restored. In my opinion, this is a short-sighted and erroneous view. Intelligent persons in America to whom the sudden disruption of our friendly relations with Japan came as a thunderbolt out of a clear sky have, very naturally, found it difficult to understand the persistence, in affording a basis for predicting a hostile collision between Japan and the United States, of such manifestly inadequate matters as have until recently been the outward questions involved. Of what avail has it been for public men and the more respectable portion of the press to reiterate, with evident truth, that the school and immigration questions are comparatively minor matters, and susceptible of adjustment. The failure of such explanations to develop an understanding which long ago would have restored cordial relations between the two nations lies in the fact that they have left out of consideration the real issues. Properly regarded, it seems to me that a discovery to the public opinion of the world of the seat of the trouble should contribute to peaceful adjustment by revealing the cause of the disorder. At any rate, it may now definitely be seen that during the prolonged period of diplomatic tom-tom beating about false issues the factors which conceivably may lead to a collision between Japan and America were rapidly developing, and gathering strength.

Therefore when the elements involved are considered in correct perspective, it becomes evident that what may be called the genuine Japanese-American situation is now entering upon its initial diplomatic stage, in so far as the direct relations between these two governments are concerned. And although Japan anticipated this condition, by concluding a series of agreements with other powers designed effectively to isolate America in the international comity which holds the balance of power, it is equally clear that the United States occupies to-day, in comparison with Japan, a position of advantage. In both of the determining elements of strength — moral and material — America overtops Japan. In the first place, when the actual conditions which must provide a basis for international action in the matter are extricated from the haze of misconception which now obscures them it will be found that America is in the right should she, primarily prompted by the need of safeguarding her own great interests, intercede to succor China. In regard to the material element — naval and military strength, and the resources necessary to successfully wage a prolonged war — the United States again is greatly superior, whatever may be asserted to the contrary by persons who study results of the Russo-Japanese war with a false sense of proportion. The further fact that the ultimate issue of any war between America and Japan will be whether the ideals and genius of the white or yellow races will dominate the future of civilization practically assures to America the moral support of greater European powers should such a conflict ever come.

That the United States now finds itself in this superior position is due, however, to circumstances rather than to good management. There now can be little doubt that when Japan made her diplomatic "bluff" the Wash-

ington administration did not know the value of the cards it held, or the stake of the game; and that it did not come an international cropper is because Fate, which has a way of looking after her favorites, has placed all the high trumps in America's hands.

It is apparent that Japanese statesmen believe that the American fleet's visit to the Pacific marks the beginning of a new era in Asiatic affairs. They would greatly have preferred for the whole American navy to stay in the Atlantic, but they knew that they provoked the change in policy, and now accept the new condition with the best grace possible. They realize that when the American fleet rounded the Horn it completely altered the balance of power in the East, which probably never will resume its former state. Fears of its being intercepted by a Japanese fleet, were, of course, chimerical. I have reliable information that when the American fleet sailed on its long voyage the Japanese Government had only three battleships in commission; the others were undergoing repairs and reconstruction at the time. So nothing could then have been further from Japan's mind than a hostile excursion against our fleet, because, even if the inclination had existed, such a move was entirely beyond her power.

It is, I think, an error to assume that elimination of the school and immigration questions will mean complete restoration of the former Japanese-American *entente*. This never can be restored in the shape which it previously assumed. Conditions never will revert to the situation which gave it vitality. It is perhaps not going too far to say that relations of America and Japan are only now becoming serious, in the sense that they directly include propositions about which modern nations will, upon due provocation, go to war. Japan may, I think, be justly acquitted of the charge of having, at present, ul-

terior designs upon the Philippines. That Japanese statesmen would regard those islands as a desirable addition to the Empire hardly may be doubted; but the time is not propitious to advance such a project. The genesis of a collision between Japan and the United States of America, if it ever occurs, will be found in conditions on the mainland of Asia.

CHAPTER VI

JAPAN'S MILITARY AND NAVAL PROGRAMME

EFFORTS AT SECRECY — REVELATIONS OF THE BUDGET — SOME COMPARISONS OF EXPENDITURE — DEBATE IN THE DIET — FOREIGN ATTENTION ATTRACTED — DISCONTENT OF THE CONSERVATIVE ELEMENT IN JAPAN — EXPLANATIONS AND ARGUMENTS OF THE GOVERNMENT — GENERAL TERAUCHI'S UTTERANCES — POPULAR PROPAGANDA FOR MILITARY AND NAVAL EXPANSION — CREATION OF WAR FUND — INTERNATIONAL INTEREST IN THE MATTER — OBJECT OF THE MILITARY POLICY — DIRECTED AGAINST CHINA — RELATION OF THE UNITED STATES TO THE QUESTION — UNRELIABILITY OF DIPLOMATIC PRONOUNCEMENTS.

IN the attempt by Japan to repair the breach which, as she now realizes, her commercial aggressiveness and the quasi-rupture with America made in her international polity, considerable prominence is given to alleged intention on her part materially to reduce military and naval expenditure; and there are indications that the statement is taken seriously in some quarters and has a tendency to allay uneasiness. The method of conveying this matter to the world intimated that it was given publicity for political effect, as an offset to discussion of a belligerent tone, which meant that it probably would not, without examination, be literally taken as true. But the topic is important, and a study of factors which apply to it reveals some interesting and perhaps illuminating facts.

It is not always easy quickly to apply the test of contemporaneous official action to such passing diplomatic stop-gaps; but it chanced that this one was advanced contemporaneously with the proposal to the Diet of the annual budget of 1907-8, which brought to a focus a ministerial crisis and induced a flood of light upon the matter in question. The issues which contributed to this crisis are various and complex, and involve all the major activities of Japan's present regime. However, it for the moment took the shape of a struggle between the military faction which has for several years controlled the Government and its opponents. This had the effect of to some extent concentrating attention upon the military and naval programme and, by interpolations of the opposition in the Diet, compelling the Government to show its hand.

The debate which ensued turned upon a proposal by the ministry to increase taxation, which led to scrutiny of the budget with a view to possible economies. The financial and economic situation of Japan deserves special consideration and cannot well be elucidated here; but the fact that the nation is in financial difficulties and that the people are struggling under oppressive taxation may be now mentioned as having a direct bearing. In fifteen years the annual budget has grown from Yen¹ 113,769,-380.00 to Yen 620,000,000.00; and per capita taxation has been increased in similar proportion. The war with Russia and the consequent policy of the Government increased the national debt from Yen 552,000,000.00 to (on March 31, 1908) Yen 2,267,000,000.00, and the annual interest charge from Yen 36,000,000.00 to Yen 166,000,000.00.

In estimating the probable relation of Japan's expendi-

¹ A Yen is approximately worth fifty cents in United States currency.

ture for armaments to her political policy, it is interesting to recall some items of her budget during the past few years. The assumption that, for several years before the beginning of the war against Russia, Japan had been actively preparing for that conflict will hardly be disputed nowadays. I reproduce some comparative statements of military and naval expenses for the year which immediately preceded the Russo-Japanese war and the present year.

ARMY.

1903-4	Yen	46,000,000.00
1907-8	Yen	111,600,000.00

NAVY.

1903-4	Yen	35,800,000.00
1907-8	Yen	82,000,000.00

The figures for 1907-8 are those of the ordinary and extraordinary budgets combined. It seems probable that immediately prior to the war with Russia, Japan juggled her published budget to the extent of including military and naval expenditures under other items, which is a device frequently resorted to by governments, for the sums stated for that fiscal year do not seem to be adequate when the conditions are considered. There has been an increase since the war of 132 per cent. in regular annual expenditure for armaments. The extraordinary budget for 1907-8 carried out of a total of Yen 204,000,000.00 some Yen 107,000,000.00 for the army and navy, or more than half; thus probably more than equalizing any discrepancy which assumed secrecy may have made in the expenditures of the years compared. While I have not included in this tabular statement the expenses for intermediate years, it is significant to note that each year has shown an increase, culminating with the last fiscal year; which demonstrates beyond peradventure that hardly was

peace with Russia concluded when Japan began to apply all available part of her revenue to increasing the strength and efficiency of her army and navy, until in 1908 the ordinary and extraordinary budgets together show that over 40 per cent. of the national revenues is devoted to this purpose. Since these items of Japan's budget have begun to attract international attention and to excite criticism, some statements have been published by that part of the foreign press in Japan which is controlled by the Government that are designed to show that the military and naval budgets are less than figures given above, and to support this contention some neat juggling of items has been done. Indeed, the Japanese method of preparing the budget always presents incongruities that make it difficult for a foreigner to ascertain the facts exactly; but figures I give were compiled by a foreigner long familiar with conditions in Japan, and may, I think, be accepted as approximately correct. Other military and naval expenditures which are under way were kept out of this budget by the simple expedient of holding them over, as a matter of official bookkeeping, until the next year.

For the year or two before the publication of the 1907-8 budget the conservative element in Japan had been growing more discontented with the policy of the Government, and when the budget carrying such appropriations, coupled with the admission of the Government that an increase in taxation would be necessary to carry out its programme, was brought before the Diet it excited determined opposition. It was contended that the threatened deficit should be corrected rather by decreasing the expenditure for armaments than by increasing taxation, which put upon the Government the task of attempting to demonstrate the need for such armaments. Its chief spokesman was General Terauchi, the minister

for war; and in course of the many debates which attended progress of the budget through the Diet, he and his political colleagues advanced some interesting arguments in support of their policy. In a notable speech in the Diet General Terauchi sounded the key-note of the military party when he declared that "Japan must be prepared for all eventualities." The speech bristles with striking statements, but one or two quotations will give an idea of its trend. "All great countries in the world have established their armaments on the basis of their geographical and political position," is one expression he used; and "The Pacific is destined to form the scene of the next great conflict" is another. In a later speech, when the budget as submitted was put for final action by the Diet, he argued that the depleted state of the national finances should not be considered a reason for reducing naval and military preparations, and declared that the nation will not hesitate to bear an increase in taxation "to provide for the *future development of the Empire.*"

If such utterances have a flavor of the jingoism usually resorted to in most countries when governments are asking appropriations for military and naval purposes and, consequently, need not be taken too seriously, it should be remembered that Japan is able to persist in this policy only by crowding her finances very close to the edge of a precipice, and by resorting to burdensome taxation. When a nation is in easy financial circumstances, and with a great reserve of untouched taxable wealth to draw upon, proportionate expenditure for armaments may be accepted as representing a general aim to provide for national security. But when a nation situated as Japan now is devotes 40 per cent. of her revenue to armaments, with increased estimates for forthcoming years, and when a responsible member of the cabinet tells the Diet "that

for a few years to come there may not take place anything which will radically change the present scheme of the War Department," it reasonably may be presumed that the policy has in mind some actual or expected condition, and is pursued in anticipation of an emergency.

There are many evidences that a popular propaganda in favor of an expanding military and naval policy is being carried on apart from direct governmental activity. A prominent Japanese economist, Mr. Kanamori, in an address before the students of a college, recently said:

"History tells us that Japan has had and will have a war every tenth year. Every Japanese must therefore be prepared against another big war in no distant future and, maybe, with a still mightier foe than she encountered last. And the most important preparation is a war fund. . . . One sen [$\frac{1}{2}$ cent] each day from each Japanese will before ten years amount to more than Yen 1,000,000,000.00, the sum which the last war cost Japan. Hence arises the necessity for saving. If every Japanese — babies included — is fully determined in this wise, Japan may confidently enter into foreign warfare, and the sad history of Portsmouth will never repeat itself."

To my limited knowledge, both the historic and political bases of this statement seem open to dispute, but the gentleman is so reported by a competent translator, and his remarks illustrate a general argument which is, in various guises, persistently being inserted into the minds of Japanese by influential elements in the Government and their sympathetic segments in all walks of life. Viewed one way, such propaganda may be considered largely political, and regarded as a method of contenting

the people with the policy of the military party; for it is no longer possible to conceal the fact that the fiscal difficulties of the nation chiefly are due to the diversion of so great a proportion of its revenues to maintenance of the army and navy. How long Japanese taxpayers can be induced to assent to this policy is, at present, a very doubtful question. Indeed, there are prominent Japanese who openly assert that rather than suffer this policy to react upon its instigators, as it will in the end unless its wisdom is practically justified by the course of events, the military party will plunge the nation into another war for national aggrandizement. One critic paradoxically has described the policy of the military party as having for an object the creation of a state of "permanent emergency."

There are, perhaps, many Americans who believe that the reasons which give vitality to Japan's military and naval policy, as one of the striking manifestations of forces which now direct the nation, concern the United States only in an academic way, and are not to be regarded as ever likely to be directed against us, or to directly involve our Government. It is true, I think, that this policy is not at present specifically directed against the United States; but I firmly believe that it has the United States incidentally, even definitely in mind. One hardly can assume a policy promoted under such extraordinary difficulties, at such a sacrifice of other national interests, to be indefinite or purposeless. These preparations cannot be regarded as defensive, for Japan's territorial integrity is threatened from no source, and furthermore is guaranteed by the Anglo-Japanese alliance. Against whom, then, are Japan's armaments directed?

An answer to this question must be sought in the conditions which circumscribe and limit Japan's national



JAPANESE SCHOOLBOYS BEING INSTRUCTED IN MILITARY DRILL.



JAPANESE SCHOOLBOYS PRACTICING BREAKING THROUGH WIRE ENTAN-
GLEMENTS TO CARRY ENTRENCHMENTS.

ambitions and, omitting for the time a detailed account of matters which apply to the proposition and unmistakably indicate its course, it is clear that these preparations are directed against China. And since the fate of China involves the interests of other nations, perhaps may affect the future of civilization, Japan's preparations necessarily must include consideration of those other nations and their interests. Here then, and here alone, do the national perimeters of Japan and the United States adversely intersect. Japan has appreciated this for years, and shaped her foreign and domestic policies in recognition of it. America seems at last to be waking to perception of what the Eastern Question means to her.

Passing for the moment inquiry into the clash between Japanese and American interests in eastern Asia, this discussion now may be confined to attempting to determine Japan's attitude toward China. As time passes there is less reserve among Japanese of all classes, including the official and unofficial press, in discussing the Government's policy on the continent, especially in Manchuria. Japanese prominent in the educational and commercial world frankly have expressed opinion that Japan requires continental possessions, in addition to Korea, to develop her national growth. Usually the phraseology of these expressions is guarded, but their meaning is clear enough. Thus the *Hochi*, which represents the views of Count Okuma and his party, recently said:

"It is a foregone conclusion that China will in future be the scene of international trouble. . . . In dealing with China, some advocate partition, while others insist upon the maintenance of her integrity. . . . It is therefore desirable that Japan should, as a neighbor, undertake the task of guiding China to the same status as

is now occupied by herself. . . . The Government should be wide awake, and adopt a strong and far-sighted policy in dealing with Chinese affairs."

Other leading native newspapers comment along similar, even more definite lines, although all avoid statements which might excite international attention by being too specific. Other sections of the press take a bolder tone. For instance, I recently found this in a newspaper which was a short time ago assuring the western world that Japan's promises regarding Korea and Manchuria are to be relied upon implicitly in an article which discusses at length the alleged conflict of American and Japanese interests in Manchuria:

"It is difficult to understand the frame of mind which at any time believed that Japan's action with regard to Manchuria was actuated by altruistic motives. Nations do not so act, and Japan is in this respect no worse than others. Had she been genuinely concerned for the restoration to China of her full sovereign rights, Port Arthur would now be a Chinese fortress and the South Manchurian Railway a Chinese line. What happened was that Japan simply took the place of Russia. . . . Both Japan and Russia made declarations about the 'open door' to all nationalities which were doubtless equally sincere, but in both cases, etc. . . ."

It is indeed difficult to understand the frame of mind which believed that Japan was actuated by altruistic motives in ejecting Russia from southern Manchuria, but for a long time a considerable part of the western press seems to have been obsessed with the idea, and it still persists in some quarters. The description of the declara-

tions of Japan and Russia about the "open door" as being "equally sincere" is peculiarly apt.

However, there are few outward evidences of an intention by Japan to provoke presently a rupture with China. On the contrary, it apparently will best serve her end to delay yet awhile before permitting her continental policy to take more positive shape. While she probably could at present overwhelm China in war, she realizes that China might be able to summon assistance, and Japan must be prepared for this contingency.

In regard to the relation of the United States to the question of Japan's unusual military and naval preparations, one hopes that those in authority at Washington will not fall into the error of placing too much emphasis upon the recent *rapprochement* of the governments, as removing all cause for friction between the two nations. Upon the occasion of Baron Takahira's arrival in America, in February, 1908, to replace Viscount Aoki as Japanese Ambassador, he repeated to the press the usual formula. Among other things, he was reported as saying:

"For the United States and Japan to go to war would be a crime against civilization. Certainly nothing could be further from Japan's thoughts than war. Her attention is devoted to the development of the material resources of the nation, and the uplifting and enlightenment of her people."

I was in Japan when this utterance was made, and I could mentally picture the chorus of comment in which this inane utterance was described as "setting at rest" all talk of a possible embroilment of the two nations; indeed, it was not necessary to work one's imagination, for the

press of Japan shouted in full chorus. As nearly as I can conclude, at about the same time when Mr. Takahira was delivering this statement, the Japanese Diet was passing, over protests of commercial and industrial bodies, a budget which included the following items:

Army and Navy (exclusive of special expenses held over)	Yen 193,000,000
Education (exclusive of Prefectural funds) ...	8,236,940

There are important factors which may, which probably will operate to check the military policy of Japan; but a comparison of Baron Takahira's statement with the foregoing items of the Japanese budget seems to justify the world in regarding Japan and her policy through other light than that provided by conventional diplomatic assurances.

CHAPTER VII

JAPAN'S MILITARY AND NAVAL STRENGTH

JAPAN'S IMMUNITY FROM INVASION — NOT THE OBJECT OF HOSTILE AMBITIONS — HER EXTERNAL BELLIGERENCY ESTIMATED BY COMPARISONS — SOME FALLACIES ABOUT MILITANT JAPAN — HER ARMY AND NAVY SCRUTINIZED — CONDITIONS OF MILITARY SERVICE — COMPOSITION OF THE ARMY — TERM OF SERVICE — JAPANESE OFFICERS — PASSING OF WAR CONDITIONS — EXAGGERATED STATEMENTS — EQUIPMENT OF THE ARMY — MISTAKEN CONCEPTIONS — THE JAPANESE NAVY — PERSONNEL AND EQUIPMENT — ITS PRESENT CONDITION — SIGNIFICANCE OF JAPAN'S PREPARATIONS.

THE military and naval strength of Japan possesses interest to the world more through its possible relation to the solution of the eastern problem than as a defensive factor; for the most imaginative of those writers who are fond of predicting international collisions have yet to conceive a successful invasion of Japan by a foreign foe. This not only is impractical as long as Japan maintains a moderately large and efficient army and navy, but no nation is now suspected of designing a conquest of Nippon; nor is there any probability that any ever will aspire to such a difficult and profitless undertaking. It is, therefore, only force that Japan may be able to apply externally that need concern other nations. Such matters usually are judged by comparison, and the course of recent events has induced comparisons between the belligerent power of Japan and the United States. In this discussion it is assumed by many that should a hostile

collision between these two nations occur in the near future, Japan will have advantage over America, owing to her presumed military and naval efficiency and preparedness, and that her comparative superiority in these things will offset our advantages in other matters.

This view has been widely disseminated, generally by persons who somewhat vaguely base their conclusions upon certain results of the war between Japan and Russia; but often, also, by commentators of accepted standing in relation to military and naval affairs, whose opinions carry some weight. While there is perhaps little *réason* to fear detrimental effects upon American interests and prestige through acceptance of such views, probability that the so-called Japanese question is destined to take a permanent place in our Government's policy may warrant a presentation of some phases of this proposition which so far have received small public attention.

A consideration of the present condition of the Japanese army and navy, compared with those of other nations, involves the usual elements — personnel and equipment. It is probable that in any collision between Japan and the United States the navies of the two nations will be the decisive factors; but an army more nearly touches the conditions of national existence than does a navy, or at least rests upon a somewhat broader base, so I will discuss the status of the Japanese army first.

All armies are divided into two general grades, the rank and file, or the officers and enlisted men; and these grades usually are recruited under widely varying circumstances. In countries which pretend to modern efficiency officers must undergo some process of selection, and commissions are granted only to men who have studied in military schools or who pass prescribed examinations. Of course, there are exceptions to this in all countries, but the con-

dition may be accepted as sufficiently general to establish the rule. Officers have no regular term of service, and are expected to retain their commissions during good behavior, and as long as they are physically capable of attending to their duties. There is, nevertheless, a constant loss of officers from various causes which amounts in most armies in time of peace to about 20 per cent. in comparison with the period covered by the enlistment term of the file of the army. Losses in war should be considered separately.

The regular term of service for enlisted men in most modern armies to-day is three years, although the French and Japanese governments already have reduced it to two years, and it is announced that Germany will make a similar reduction. This means that the entire enlisted personnel of an army will be renewed every two or three years, as may be, less the number of re-enlistments. Some armies also have a five-year enlistment, (like the United States Army,) carrying with it special inducements, and some governments which do not employ the conscript system offer bonuses to secure re-enlistments, and thus keep experienced men in the service. The fact that the United States Government gives liberal bonuses, together with the generally better situation of enlisted men in its service, makes re-enlistments in our army and navy larger in proportion to those of other nations.

The Japanese army is officered by men recruited in the usual way. A majority of the younger officers have studied in the military schools of Japan, but many were appointed from civil life upon passing an examination. The conditions under which young men in Japan enter the army as officers do not differ materially, when examined, from the method employed for recruiting officers in England and the United States, nor are results sensibly

different on the average, which means that a fairly capable lot of men are secured. Imminence of war stimulates enlistment in most countries, and before the war with Russia there was a rush of the best intelligence and blood in Japan to get commissions in the army and navy, which were freely granted, as it was necessary to augment the official personnel.

This movement began perhaps a year before hostilities against Russia started, and culminated in 1903-4, four or five years ago. The war was fought, with great attendant loss of officers; and the official personnel has been further reduced by retirement and resignation of thousands of officers who tendered their services for the war, and for whom no place can be found in the regular organization on a peace basis. Without further details, an estimate indicates that probably not more than half the officers of the present regular Japanese army were in the service when war with Russia was commenced, the remainder being men who entered the service during and since the war.

In respect to the file of the army, somewhat different conditions apply. It is now known that for at least two years before the Russo-Japanese war the Japanese Government gave bounties for soldiers and sailors who re-enlisted, so as to begin war with as many experienced men as possible. But these bonuses now are discontinued, and it may safely be assumed (such information as is obtainable bears out this view) that the enlisted personnel of the Japanese army to-day is composed of new recruits and rather less than the ordinary proportion of re-enlistments. The Japanese enlistment method is founded, as are most of their military regulations, upon that employed by Germany, and is based upon universal conscription. Owing to lapse of time, only those men

who enlisted at the very end of the war, and perhaps never saw active service, are still in the ranks. Experience has shown that after a long and severe war there is a disposition among even that segment of army personnel, usually called "regulars" because they have got into the rut, to get out and enjoy personal liberty at least for a while, and there is no reason to believe that this rule does not apply to Japanese as well as to other races. With these precedents and conditions for a basis, it is doubtful if the proportion of enlisted men in the Japanese army to-day who have seen service is more than 10 per cent. and within two years even these probably will have returned into the body politic.

A statement recently was published, having as alleged sponsor a retired naval officer of the United States, that Japan could immediately put 1,000,000 veteran troops in the field. It is difficult to understand why a military man would make such a statement. The present Japanese regular army approximates 120,000 officers and men under arms, and any increase must be by methods similar to our own under such circumstances. It is true that there are organizations designated as first and second reserves, but these "reserves" exist only on paper, and are organized only in the sense that certain classes are designated as belonging to them, and are liable to be called upon for active duty without previous notice or consent. All European nations have similar reserves. The necessity for fiscal economy, if no other reasons existed, required Japan to reduce the personnel of her army and navy to normal as soon after hostilities ended as was possible, aside from the fact that a majority of soldiers had been conscripted only for the war.

Turning from personnel to equipment, let us consider that of the Japanese army to-day. The rifle with which

the troops were armed during the war is known as the Arisaki rifle, named after a Japanese officer of ordnance; and is almost a replica of the Mauser 1893 model, formerly used by the German army. The Japanese Government, following its customary course in such matters, simply appropriated the mechanism of the Mauser, with a few modifications, such as a shorter stock adapted to the short arms of Japanese soldiers, and a shorter barrel. As a weapon, the rifle was not improved by these changes, although lightened a little, for the calibre was decreased to give velocity and a flatter trajectory, which, as experience demonstrated, perceptibly diminished the "stopping power" of the ammunition. While about equal to the rifle used by the Russian army (the 1891 Mannlicher) the Arisaki rifle is inferior to rifles with which the United States, German, French, and British armies are now supplied. This is fully recognized by Japanese ordnance officers, and plans to re-arm the army entirely now occupy the attention of the general staff. The stub bayonet with which the Arisaki rifle is provided is now believed to be inadequate, and a number of minor deficiencies were demonstrated during the war.

But if the fact that the old model Arisaki rifle is obsolete, (judged by modern standards it is not as good a weapon as the Krag, recently discarded by our Government,) did not supply a sufficient reason for providing the Japanese army with a new weapon, one exists through the wearing out of the rifles used in the war. The number of Arisaki rifles in Japanese arsenals when the war began is not definitely known, except to the Japanese staff, but it was noticed that even early in the war rifles captured from the Russians were used to arm supernumeraries which were attached to the Japanese armies, and foreign military attachés noted that late in the war some Japanese

soldiers carried Russian rifles; which indicates that the supply of Arisaki rifles was limited, since any military man knows the objections to introducing into an army arms requiring different ammunition. The erosion of small calibre rifles using smokeless powder is very great compared to former methods, and tests have demonstrated that rifles rapidly deteriorate after having been fired one thousand times, or less.

There was, of course, a great variation in the number of times different rifles were fired during the war, but it is known that tens of thousands of Japanese rifles were totally incapacitated, and that when the war ended but a small proportion of the rifles in use were in good condition. During later battles the self-inflicted casualties in both armies due to defective rifles noticeably increased, and must have given serious concern to commanders and governments. It is possible that by this time Japanese arsenals could have, by manufacture and repair, replaced worn-out rifles with others of the same pattern; but it is improbable that such a course was adopted, for with plans under way to provide a new weapon, and in the absence of urgent necessity, this would seem a useless expense.

Although Japanese artillery, especially in early stages of the war, exceeded that of the Russians in effectiveness, this was entirely due to superior handling and preponderance of guns. The field pieces used by Japanese, which followed a French design now superseded, are as a weapon inferior to that with which the Russian army is provided, both in mechanism and range; and are considered out-of-date weapons, in comparison with models with which German, English, French and United States armies are now provided. Moreover, the powder used proved very erosive, and deterioration of guns was rapid.

In later battles it was noticed that Japanese artillery was less effective than it was earlier in the war, which was attributed, probably correctly, to deterioration of the guns from use.

Since the war Japanese officers have visited Europe and the United States for the purpose of inspecting the newest military appliances and formulating a report which may, added to experience gained in the field, serve as a guide for improvement of their own equipment. Some results of these investigations already are apparent. A new model Arisaki rifle recently has been issued to some regiments, which is considered to be an improvement upon the old model, having a longer barrel and a larger calibre; but it is not definitely known whether the entire army will be supplied with this weapon. It is, therefore, fair to assume (indeed, such information as can be obtained bears out this assumption) that the Japanese Army still to-day is largely armed with rifles which were used in the war with Russia. A new field piece also made its appearance at the last maneuvers, being a replica of a late French model, and provided with steel gunner shields; but only a few batteries of these guns are now in use. It is doubtful if models for new rifles and field pieces have been finally adopted. When this is done it will take several years for Japanese arsenals, even with increased capacity, to produce an equipment sufficient to supply an army in a great war. Many reforms of minor equipment and impedimenta, suggested by experience during the last war, are under consideration by the general staff, and it will be some time before these details are worked out and the results become apparent in the efficiency of the army. A considerable number of guns and rifles were captured from the Russians, which might be used in a pinch, but

they are hardly worth considering in any scheme to establish the army on a more modern basis, owing to fundamental differences in construction and calibre, which cannot easily be made to harmonize with that uniformity of armament which is considered indispensable to modern efficiency.

Much exaggerated comment about supposed marvelous appliances invented and used by Japanese against the Russians, wonderful explosives and devices, and so forth, has been printed. The truth is that in all essentials of modern military and naval art Japan's relation to the West is still that of a "copy-cat." During the war the western world heard a good deal about the wonderful success of the Japanese in keeping their military equipment and appliances secret. The gist of this matter is aptly illustrated by an anecdote related about a passage between a French military attaché in Manchuria and a Japanese staff officer. The military attachés were disgruntled about their treatment, and the refusal of the Japanese to let them see the operations. On this occasion the French officer had requested permission to inspect some Japanese field artillery, only to meet with the usual evasion and delay. Finally, becoming impatient, he pressed for a definite answer to his request.

"But," suavely replied the Japanese officer, "you must appreciate the importance to us of keeping our military secrets."

"Your secrets. Bosh!" exclaimed the French officer, his disgust for a moment getting the better of his manners, "as if you hadn't stolen everything you have from us."

It took considerable palavering, so I am informed, to span the diplomatic gap caused by this blunt, if truthful

utterance. The fact is that all of Japan's major military and naval appliances are directly taken from the West, usually without any regard to patent or copyrights.

The personnel of the Japanese navy is drawn from practically the same sources as the army, but the conditions are slightly different, owing to variations in the two branches of the service. It is harder to train a good man-of-war's man than to make a fairly competent soldier, a fact which is recognized in most modern naval regulations and enlistments. In Japan naval service is compulsory, the regular term being four years, while, as in most navies, special inducements for longer enlistments are offered. As to the army, bonuses were given just prior to the war to retain experienced men in the service, with about the same results. The perpetual existence in Japan of a large seafaring population insures plenty of good naval material, although conditions surrounding modern naval service do not demand a large number of "sailors" in the old meaning of the term. An active, clear-headed boy off an inland farm is apt to make as good a gunner, or what not, as a youth raised within sight of the salt water.

In Japan the human material is good enough, neither much better nor worse than the average run of such material in European countries, and not so good as enlisted men in the United States navy. But the problem which confronts the Japanese admiralty is the same as elsewhere, the task of continually whipping a lot of green recruits into an understanding of their duties and developing competence therein; and in this it has no advantage over any of its rivals for naval supremacy. The present naval personnel has followed very much the same course since the war as has the army; which means that probably not more than 20 per cent. of enlisted men now serving

saw anything or very much of the war with Russia. Any assumption that the average Japanese is capable of absorbing military or naval instruction more rapidly than the average European or American has, so far as I know, no foundation upon fact.

As to naval units, expressed in ships, Japan's equipment on sea is by this time tolerably well known, through numerous statements which have been published. Much comment assumes that the equipment of the Japanese navy is as efficient to-day as it was when war with Russia began. This, in reason, must be far from the truth. Aside from wear upon the vessels and machinery, and damages sustained in action, (which may or may not have been fully repaired,) there is the vital factor of armament. No modern naval armament has ever before been subjected to such a strain as was put upon that of the Japanese navy during the recent war. The limited life of large guns, when fired with full charges, is well known. They begin to deteriorate after a score or so of shots, and about one hundred shots is considered the maximum consistent with safety. It is then necessary to insert a new rifling, which requires that the gun be taken from the ship. It is known that new guns were placed upon several Japanese ships during the war, and that many guns were re-rifled.

Notwithstanding the care taken to keep such details secret, it is now known that damage sustained by the Japanese Navy during the war was far greater than is popularly supposed, and that during the closing period of the war many Japanese ships carried guns which could not, for various reasons, be fired. This condition, which would be disastrous if a navy had to meet a formidable enemy, made no practical difference in the closing stage of the war. I learned directly from an expert, who was on board one of the Japanese armored cruisers shortly

after the fight in the Korean Strait, that this vessel had to be towed into Sasebo during the battle, and that not a single gun of her primary battery could be fired. Yet in no report of the engagement that I have seen was any serious damage to this ship stated. I have information of many similar instances.

It may be pointed out that, assuming the truth of all this, ample time has elapsed within which full repairs could have been made, and all the larger Japanese ships fitted with new guns, including modern sighting and firing appliances; with which few were provided during the war. This is true; but there are circumstances which indicate that the task of refitting the Japanese fleet has not progressed so rapidly as the Japanese admiralty would have the world think. It is pretty well established (as I learn from reliable sources which I am not at liberty to divulge) that in the last great naval battle many Japanese ships carried defective guns, which were used without regard to risk or loss in accuracy, while some carried guns which could not be fired at all.

If this is true, the reason must have been that guns to replace defective ones were not then available, for it will be remembered that a prolonged period of comparative inactivity preceded the arrival of the Russian fleet, ample for docking and repairing, in turn, of most of the Japanese ships, without weakening the fleet to a dangerous point. It is reasonable, then, to conclude that there was a shortage of large guns in Japan when the war ended. Such guns can be obtained in two ways — by manufacture in Japanese arsenals and by purchase abroad. If any large purchase of naval guns by Japan has been made abroad since the war, it has so far escaped the vigilance of rival admiralties. But Japan has announced that she will in the future build her own guns, and

has made extensive preparations to do so. National security is given as the chief reason for this policy, for during war such materials are contraband; but another reason, and one which applies to Japan's present fiscal situation, is economy. Why should Japan pay a high price to English, German, or French gunmakers, when, by appropriating the patent rights and importing machinery, she can provide them much more cheaply herself?

This is the key-note of Japan's re-equipment policy, which applies to both the army and navy. Had there existed an urgent need for rearment, rush orders would have been placed abroad. But there was no immediate need, apparently. So shops and arsenals have been built, and others planned, whose industrial basis is the employment to be afforded by rearming and re-equipment of the army, and navy. Examination of certain phases of Japan's new industrial policy indicates her intention in this matter. As to the ships captured from Russia, they were, as a rule in even worse condition than the Japanese ships, and many required to be floated, which was accomplished with difficulty in many cases, and at great expense. Any assumption, therefore, that the Japanese navy, as a whole, is to-day on a high plane of efficiency as to equipment, compared to other first-class naval powers, does not seem to be well founded.

It seems to follow, then, that the Japanese army and navy, instead of being composed of veterans fully equipped with the most modern appliances, is really largely composed of recruits chiefly armed with worn and comparatively out-of-date weapons. An almost invariable experience of war, especially of nations which wage successful wars, is that a perceptible slump in military morale and efficiency immediately follows the conclusion of peace. This is partly due to conditions tending to material de-

preciation, and partly to natural reaction. There is no reason to believe that Japan is any exception to this general rule; on the contrary, there is much evidence that the usual condition exists in full measure. I hold the opinion that if the Japanese army and navy were to-day suddenly called upon to confront on equal terms those of any first-class power, excepting Russia, they could do so only at a disadvantage; for if we assume that personnel and training are approximately equal, deficiency in equipment would throw the balance out of plumb.

The small numerical strength of the United States army, and the fact that many months must elapse after a declaration of war before large bodies of troops can be brought into collision, lessens the practical effect of comparative efficiency of standing armies upon the ultimate result of any war in which our Nation may become engaged. But naval affairs are different, and here such comparisons hold good. The fact that, under ordinary circumstances, it will be several years before the Japanese army and navy is fully rearmed and equipped, provides other nations who may fear a collision with doughty Nippon sufficient time for preparation should they wish to take advantage of it, and conveys tolerably definite assurance that in the meantime Japan will not be belligerently aggressive in any diplomatic differences which may arise between her and another great nation.

That Japan is as rapidly as is possible, considering her fiscal difficulties, placing herself on a war footing, cannot be doubted. Extensive fortifications are being made at Port Arthur; at Masan-po and Gensan in Korea; and in Formosa. Japanese naval parties were detected surveying a number of uninhabited islets, now unclaimed by any nation, in Philippine waters, whose only conceivable value would be as locations for wireless stations. The navy

has been augmented by the addition of two vessels of the Dreadnaught type, and by several cruisers of almost equal strength, while preliminary naval estimates plan for two additional "Dreadnaughts" and two "Dreadnaught" cruisers a year, beginning with 1909, and to continue until the navy shall have reached a "desired strength."

One is somewhat at a loss definitely to determine just where the extraordinary sums which have been spent since the war on the army and navy have been applied. It seems probable, as is alleged, that some of the money has been put to indirect military uses; such as the so-called Oriental Development Company, which is expected to export annually 4,000 Japanese to Korea and Manchuria to be there converted, it is stated, into gendarmerie to replace the standing army in those localities. There are some who regard this and similar moves as merely indirect methods of reinforcing Japan's military strength on the continent without attracting attention. Significance also is attached by some to the fact that many army recruits of the 1906-8 drafts have been released after from three to six months' service, which intimates a desire to make available a large number of men who possess some military training. These are but catch-straws, it is true, and may have no positive bearing upon Japan's militant policy; but the East is now in a nervous state, and Japan's slightest acts of this nature attract attention.

CHAPTER VIII

POLITICAL TENDENCIES IN JAPAN

STRUCTURE OF THE GOVERNMENT — BASIS OF POPULAR PARTICIPATION — THE SUFFRAGE — THE PARLIAMENT — HOUSE OF LORDS — HOUSE OF REPRESENTATIVES — THE ELDER STATESMEN — POLITICAL PARTIES — CONTROL BY THE OLIGARCHY — POLITICAL CORRUPTION — GRADUAL AWAKENING OF THE MASSES — THEIR EXPLOITATION BY THE OLIGARCHY — THE BURDEN OF TAXATION — POLICY OF THE SAIONJI MINISTRY — THE COMMERCIAL CLASS — NEW POLITICAL FORCES — “GOVERNMENT WORSHIP” — THE EMPEROR — THE IMPERIAL HOUSEHOLD IN TRADE AND FINANCE — GROWTH OF SOCIALISM — PROSPECTS FOR REFORM — INFLUENCE OF WESTERN SENTIMENT.

CERTAIN tendencies of the internal political situation of Japan indicate that the nation is rapidly approaching a point when it must choose between two widely diverging courses: whether to be controlled indefinitely by the aristocratic military oligarchy which now directs the Government, or whether to accept the guidance of a new party which primarily aims to develop, by peaceful means, the resources of the country. This question is interesting to the world both as an example of some forces in human evolution, and because the conditions which attend and must in time determine its course will decide, also, the policy of Nippon in the whole East.

The forces which are pressing the nation toward a crisis are already sufficiently outlined to intimate distinctly that administrative reorganization, if it comes, will touch the

foundation of the national edifice; and this invites some passing notice of the Government of Japan as it exists to-day, of its structural theory, and of the system by which this theory presumably is put into practice.

While the Government has the outward form of a constitutional monarchy, it is an error to assume, as many persons do, that it approximates liberal principles as these are understood in America. The form is here. There are a constitution, a responsible ministry, a Diet composed of two houses, and a judiciary which interprets and enforces the laws. But scrutiny of the method through which these familiar entities administer government reveals that the essence of liberal institutions is largely absent. In framing a constitution for Japan it was natural and perhaps then necessary that the fiction of Imperial supremacy, as the head and source of all authority, be adopted in the phraseology of the instrument. So the fact that the constitution apparently makes the executive, legislative and judicial branches mere appendages upon the Emperor's authority and subject to his will might be disregarded if in practical administration of government the people exercised substantial control. But this is not the case.

Under modern conditions the basis for popular participation in administration of government is the suffrage, and in Japan the total number of voters in national elections is under 800,000; less than 2 per cent of the total population, as compared with 25 per cent in France and 21 per cent in the United States. In addition to the aristocracy, the suffrage is granted to commoners under property and tax paying qualifications which confines its exercise to the upper and a limited middle class. The great laboring class, comprising 90 per cent of the population of the Empire, and constituting the productive force of the na-

tion, is practically unrepresented among the voting section, and the only constitutional privilege which it has is the right of petition to the Throne.

In constitutionally distributing the balance of power among the various classes, care was taken to circumscribe the influence of even this limited electorate. The upper branch of the legislative body, the House of Peers, is composed of male members of the Imperial family and the hereditary nobility, some additional life members nominated by the Emperor for meritorious service to the State (usually military and naval heroes); and one member nominated by the fifteen electors in each Fu or Ken who pay the highest taxes, the nominations to be affirmed by the Emperor, such members to serve for seven years. The House of Peers thus is composed of a large majority of Princes and nobles, and a minority of members nominated by a very limited and wealthy class comprised of less than 700 voters. The so-called popular branch of the Diet, the House of Representatives, is elected by general vote; that is, by the 1.6 per cent who possess the suffrage. There are 368 seats, distributed among the forty-five cities and prefectures, or Fus and Kens; giving an average of some 2,000 voters to a district which would have in the United States, on an equal basis of population, about 26,000 voters. The House of Representatives, therefore, lacks any essential democratic quality except that a democratic spirit is evinced by individual members; and really is an aristocratic body whose political aspirations are chiefly to further special interests, and secure a place in the ministry or a seat in the House of Peers.

The Diet which together with the ministry thus directs the Government nominally is composed of parties. These so-called parties are not exactly comparable to political parties in England, Europe and the United States; in

fact, Japan has not yet developed a system of government by party, although she has adopted the nomenclature of such institutions. The House of Peers scarcely has gone this far, for while its members sometimes divide into groups, none of these groups has developed any permanency or adopted a regular party name. The House of Representatives is divided into groups which take party names, but these names are not always carried over into a new Diet. This disposition affords a clue to the real relation of the people and the Government. The Government is not, apparently, presumed to represent the people and to carry out their wishes; but in so far as the proletariat is permitted to participate in political matters it is in the attitude of being graciously invited by the Emperor to assist him in administering the Government by nominating a few Peers and electing a House of Representatives, which will support the Emperor in caring for the welfare of his subjects. When a general election for a House of Representatives is ordered, the campaign usually is not carried on by parties or along party lines. Each candidate makes a personal campaign on his own issues. It is not until the new House is organized that parties are formed, and their composition depends upon how the men who are elected will divide upon issues which come up for discussion. Thus party lines rest lightly, and parties are more a grouping of individuals for mutual advantage than means to promote definite political programmes.

The present parties in the House of Representatives are: Seiyu-kai, Progressist, the Daido Club, the Yukokwai, and a number of scattering votes not attached to any regular group. Of these parties, the Seiyu-kai is the Government group. The Progressist is the opposition. Of the two lesser groups, the Daido Club really is a branch of

the Government forces, although it poses as independent. Its nominal position in the House is the Center, and it holds the balance of power in most divisions, which gives it considerable influence. None of these parties has any definite principles or programme, and all are ready to trade votes with other groups as occasion may arise.

The remaining factors in the Government are the Emperor, the ministry and the Genro, or Elder Statesmen. The ministry is here organized much as elsewhere, usually being composed of men who represent different influential political groups, and holds office until its resignation is accepted by the Emperor. In this matter authority rests with the Emperor, and the influences which direct his action are not always easy to trace. In any crisis it is usual for the Emperor to consult the Genro, and it is presumed that he attaches great weight to its advice, although he has power to reject it. One hears in Japan varying opinions about the personality of the present Emperor. Many regard him as the usual figurehead, occupying himself, after Oriental fashion, with sensual pleasures, and leaving the cares of government to his ministers. The Crown Prince is generally regarded as being dull, almost a booby, and is not entrusted with responsibility. The estimation in which the Emperor is held by the masses also is a disputed matter. Outwardly, he is venerated as the spiritual and temporal head of the nation; but indications that this sentiment is only skin-deep may be observed, and an idea that the Emperor is used as a cloak for the oligarchy which really rules the nation is percolating among the people. The Genro has no specific entity or regular membership, and is composed of distinguished men who have no definite political position except seats in the House of Peers, and that gained through their personal influence. Count Okuma, himself an El-

der Statesman, recently said in public that the Genro has outlived its usefulness and must, with other obsolete forms, give way to more modern administrative methods. But Okuma is known to be a democrat at heart, and usually is found among the opposition.

When analyzed, the Government of Japan is found to be entirely in the control of an aristocratic oligarchy, composed of the Imperial family, three or four of the greater clans of nobility, the military class, and a strata which includes the chief financial and commercial groups together with minor representation of the superior business element. The House of Representatives, which is presumed to represent the popular influence in Government, really, as now elected and organized, fails to do so. There is little doubt that seats in the House of Representatives may be purchased. This decline in political morality is attracting attention in Japan, and several organizations having as an object the purification of political methods are taking up the work. The last prefectoral elections were attended, it is alleged, by such wholesale coercion and fraud as to compel the attention of the ministry, and caused a leading vernacular newspaper to assert that "the Japanese political world is rotten to the core." It was openly asserted that votes were bought for two Yen, and seats in prefectorial assemblies were estimated to be worth Yen 2,600.00. I am, of course, not able exactly to determine the truth of such allegations, but evidence that modern forms of political corruption have found their way into Japan may be noted on all sides.

It is probable, however, that the oligarchy might have continued to rule without being disturbed by any except internal dissensions had it pursued a conservative course and managed affairs with ordinary success. But the last few years have brought an awakening among the peo-

ple of Japan, or at least of an influential segment of them, and the oligarchy is now confronted with a fight for a division of its power; indeed, its very existence is at stake, although perhaps not immediately threatened. Several major causes have contributed to create this situation. These are: the nationalization of industry policy; the diversion to the oligarchy, by means of subsidies and other forms of governmental preference, of most of the advantages and pecuniary increment which the national expansion is creating; the expenditure of so large a proportion of the national revenue for armaments; the increase of taxation which, as a direct consequence of the foregoing policies, has been indefinitely saddled upon the people; and the bringing of the nation to the brink of a financial precipice which is a result.

The real crux of the trouble lies in the economic situation of the country; but the causes which have reduced it to its present extremity need here be considered only in the light of their incidental political effects. One of the more conspicuous examples of exploitation of the people by the oligarchy is afforded by the encroachment of the Imperial Household upon commerce and industry of the nation. The extent to which the Household is interested in modern enterprises cannot exactly be ascertained for obvious reasons, but it is known to have large holdings (a controlling share in some cases) in two of the great shipping companies, two of the greater banks, an iron foundry, cotton mills, a paper mill, a lumber company, ship yards, and some minor concerns. With two or three exceptions, this interest has been acquired in the course of the sudden industrial expansion which followed the war. It is significant that all important enterprises in which the Household is interested derive heavy subsidies from the Government; indeed, in forming some of these

companies it seems to have been understood that to enlist the Household was to insure direct Government support and backing. Corporations in which the Household is largely interested are not open to foreign investment, and are not included in brokers' lists of the share market which are issued to investors. It is assumed that this exclusion of foreigners as shareholders in these corporations is to avoid possibility of litigation which might compel elucidation of their ownership and methods in court. Examination reveals that a large proportion of the major activities of new Japan are virtually controlled by the element which composes the inner circle of the ruling oligarchy. In no other important nation is special privilege so strongly entrenched as in Japan, or is able to deflect to itself so large a percentage of the wealth which the people create.

This condition, which is here attended by the usual complexities, would hardly have attracted the attention of the ignorant proletariat had it not made necessary and been accompanied by imposition of burdensome taxation. When, during the war with Russia, the taxation, which ten years ago was less than Yen 6.00 per capita, was raised to Yen 15.00 per capita, popular discontent was assuaged by assurances that the increase was temporary, and that the nation would recoup by exacting an indemnity from Russia which would pay expenses of the war. Thus the people accepted the burden without serious objection, and readily invested their surplus funds in domestic war loans. The first shock came when it was learned that no indemnity had been obtained from Russia. The second came when the Government was compelled to extend the extraordinary war taxes for thirty years, with no assurance that they can be reduced even then.

In this connection it is interesting to examine how taxation is distributed. In Japan, as in most countries, the

indirect method of taxation is used whenever practicable; and in revising the fiscal system to meet the swelling budget this plan was adopted. In both the customs tariff and internal revenue laws an evident attempt is made to give an impression that the burden will fall upon the middle class, but scrutiny reveals that quite the contrary is true. To raise any considerable revenue, taxation must be placed upon articles and matters widely used. So analysis shows that while the middle class in Japan seems to bear the greater part of the burden, it is only a middleman between the Government and the consumer who eventually pays the tax. In adopting this policy the Government utilized the commercial class as a means of collection because it can be regulated and controlled, not that it bears more than its proportion of taxation. To assume that the comparatively well-to-do middle class in Japan pays a larger proportion of taxes is like asserting that tobacco and liquor manufacturers in the United States pay the internal revenue on their products because the Government, for its convenience, makes them the medium of collection. It is difficult to determine this matter with exactness, but I believe that the segment of the Japanese people which has no vote pays 80 per cent of the national and local taxes. The proletariat in Japan to-day is in a state of political and industrial peonage, and really has less influence in the Government than has the moujik in Russia, or the coolie in China.

After this glance at political conditions, some effects of the policy of the Saionji ministry may be better understood. The last Diet passed a budget which appropriates 40 per cent of the total revenue for armaments, and preliminary proposals for the year 1908-9 contemplate devoting 60 per cent of the revenue for this purpose. In order to carry out this programme, the Government pro-

posed and the Diet passed a new extraordinary tax law, which increases the per capita taxation to over Yen 16.00; and the increased schedules are not yet completed. This is the third in the series of shocks which has shaken popular faith in the oligarchy, and started a movement to check its power and compel an alteration of the national policy.

The forces by which this movement is propelled extend downward through all strata; but any hope for success depends upon that part of the commercial class which is not included in the preferential distribution of national support, and which now finds that it is being seriously handicapped by this discrimination. Although the masses are keenly conscious that their situation is growing worse, they have no direct means for political expression, except by riotous demonstrations. But the commercial class includes a majority of voters, and has a means for developing political cohesion ready to hand in the local and national chambers of commerce. When the extraordinary tax bill was before the Diet in 1908 a general agitation against it was begun by the chambers of commerce, which passed many resolutions condemning the economic and fiscal policy of the Government, and took part, through the members which they could influence, in the attack upon the budget in the House of Representatives. The agitation failed, for the moment, to have any result except that the Government somewhat brusquely rebuked the guilds for mixing in political affairs, and warned them that further agitation might lead to revocation of their charters. This implied threat, however, only fanned the flame. Many of the guilds retorted that they have a right to be active in politics when the economic interests of the nation are under consideration, and intimated that they intend to take part whether they have a right or not. Steps were taken to contest the next general election for the }

House of Representatives on this issue, and the movement developed a vitality which causes the Government some uneasiness. In instituting this campaign, it was proposed, for the first time in Japan, to nominate candidates for the House of Representatives along party lines and on a definite platform advocating reforms. If this should be done it would carry the struggle for control of the lower house directly before the electorate and compel a popular discussion of the issues. The Government is anxious to avoid this, for no one can foresee what the effect would be upon a people just waking to a desire to convert the forms of popular institutions into a reality.

Newspapers in Japan nowadays are openly criticizing the extension among the people of certain obsolete ideas, which are lumped under the head of "Government worship." It is argued that this popular idea is injurious to progress of the nation along modern lines by making it difficult for any enterprise not directly backed by the Government to succeed, which is creating an industrial and commercial centralization calculated to eliminate competition and confine profitable enterprises to a favored few. In discussing the matter some native papers use the word "superstition" to describe this popular idea, and assert that superstition has no place in Japan today. As such criticism clearly touches the halo which surrounds the Imperial throne, and which is an important asset to the oligarchy in perpetuating its rule, it will be understood that such disposition is not regarded favorably by the Government, and in some quarters it is rebuked as being directed askance at the Imperial authority. Indeed, this may be true, for there are indications that socialism is taking root in Japan, and a powerful though ignorant cooliedom is beginning to clamor for its political rights.

While these incidental political signs forcibly strike the foreign observer, it is very doubtful if their potential force is now appreciated by the oligarchy. There is no doubt that the Government for months before its downfall realized that the Saionji ministry must go. Marquis Saionji and his colleagues several times tendered their resignations, but were compelled to retain office until the budget and other administrative matters were got out of the way. The Government did not want a general election to come while its failure (from the Japanese view) in the immigration issue with America was in the popular mind, and while the agitation against increased taxation was strong. The election was first set for April, 1908; then it was postponed until June. The course of the Government indicated that notwithstanding willingness of the Saionji ministry to resign, it would not bring on an election until sure it could carry it. The result of the general election held in June, 1908, conclusively demonstrated that, notwithstanding talk of serious opposition, the oligarchy is still in full control. The Government lost a few seats in the House of Representatives, but retains a substantial majority.

While some foreign observers of Japan's political institutions and present situation believe that the views of the chambers of commerce will find substantial expression in the policy of the present and forthcoming ministries, I am unable to feel this assurance. However, an attempt is being made to give an impression throughout the world that Japan intends to call a halt upon the military party, which has, by imposing on the nation the expenses of large armaments, brought its finances to their present pass. The need to create this impression abroad is obvious, since it has been distinctly intimated that foreign investors are reluctant to contribute funds for an unnecessary military

and naval expansion in Japan at the expense of activities which may resuscitate her depleted resources.

But when one looks about in Japan for tangible evidence of a radical change of policy it is not easy to discover. It is difficult for Americans to conceive the arrogance of the military party there, although they may understand its reluctance to relinquish the place to which popular post-bellum enthusiasm for the army and navy raised it. Seeing the approach of the storm, the Saionji cabinet was anxious to quit office before it breaks, but was retained for a time because of the difficulty in forming a ministry to succeed it. Of the men who were suggested to succeed Marquis Saionji there is none who is not intimately associated with the military party. Marquis Katsura was several times invited to form a ministry, but was reluctant to do so, it is thought, because he apprehends the downfall of the present regime. Of others prominently mentioned, from time to time, for the premiership, there is none whose career does not warrant a presumption that he inclines toward the present order. It is probable that financial and commercial interests of the nation will have recognition in the policy of the new cabinet; but this does not necessarily mean a sincere reaction from present policy, for most of the financial and commercial leaders are beneficiaries under existing conditions. It is quite likely that some of these men feel that the nation has been forced too far in this direction, and that some reformation is necessary to prevent disaster. They need not be expected, however, to strike very deeply into the heart of existing evils. Of the Progressist party, it may be said that its opposition to the Government is that of the "outs" to the "ins," and is advanced more to embarrass the ministry than in a truly reformatory spirit. It is significant that casual Progressist attacks upon the for-

eign policy are not because it threatens to embroil the nation with formerly friendly powers, but because it has not adopted a more belligerent attitude in conducting negotiations with America and China.

Considering all the elements presently applicable to the situation, it is doubtful if political forces which can effect a regeneration of the Government now exist in Japan in a form so they may quickly be called into play; and that a ministry capable of really reforming the administration can now be organized. An attempt must be made, it is true; and that the Katsura cabinet took office attended by many fair promises was to have been expected, as probably will be the case with its immediate successors. But the oligarchy and its concomitant, the military party, are too deeply rooted to be pushed aside easily, and none need expect that they will yield without a struggle, although they may temporarily bow to necessity to restore the national credit. But one can hardly doubt that Japan is nearing a parting of the ways. The forces of reform may distinctly be felt pressing upward from the bottom, and the struggle to break through the oligarchic crust cannot fail to attract the sympathy and notice of the western world.

CHAPTER IX

THE FISCAL SITUATION OF JAPAN

SOME RESULTS OF ECONOMIC INNOVATIONS — INTRUSION OF THE GOVERNMENT INTO BUSINESS — ITS CREATION OF ASSETS — NATIONALIZATION OF THE RAILWAYS — STALKING THE FOREIGN INVESTOR — OPTIMISM IN THE SADDLE — INCREASE IN CAPITALIZED INDUSTRIES — BASIS FOR THIS EXPANSION — SHYNESS OF FOREIGN CAPITAL — REASONS FOR THIS DISPOSITION — COLLAPSE OF THE "BOOM" — FISCAL CONDITION OF THE NATION — INCREASE OF TAXATION — WAGES IN JAPAN — PROPORTION OF PER CAPITA TAXATION TO EARNINGS — DECLINE OF THE NATIONAL OWNERSHIP POLICY — DISCONTENT OF THE PEOPLE — EXTERNAL PRESSURE UPON JAPAN — A CRISIS APPROACHING.

IN attempting to estimate Japan's position among the powers, the economic condition of the nation should be considered. This induces some further examination of her modern activities, and of antecedents of the commercial and financial depression which followed and is partly a result of the new policy.

Enough time has elapsed since this economic innovation was inaugurated to indicate some results of it both externally and internally. The external results are significant, but perhaps they may better be viewed from a different angle. It is the internal effects which have more directly contributed to create the crisis through which the national economies are now passing, and with which the Government is compelled to reckon before it can aggressively proceed with prosecution of external expansion.

While there are many correlative forces, the intrusion of the Government into purely business affairs of the country is a principal cause of the trouble; which makes a brief review of the progress of the national ownership policy pertinent. It has been said that in adopting this policy Japan introduced no novelties — only extremities; and this is substantially true. And the circumstances which attended its initiation, as already has been pointed out, conclusively intimate that expediency played a decisive part in its adoption. The first pressing need of the Government after the war was revenue; and a Government obtains money, as a rule, in two ways: by taxation and by borrowing. It had been necessary to hypothecate most of the available assets controlled by the Government to secure foreign war loans, and it was felt that it was not practicable to immediately again increase taxation. On the contrary, the Government, then facing the popular indignation which failure to get an indemnity roused, felt it necessary to defer announcement that the extraordinary war taxes must be indefinitely continued.

In this extremity the Government set to work to create assets amenable to its control and which it might if occasion demanded hypothecate, and also to attract foreign capital to the support of Japanese enterprises. It is not necessary here to examine in detail the various methods pursued to accomplish this end, since the purport of the policy may be illustrated by a few pertinent examples. Among these is nationalization of the railways, and the method which was employed in this case is interesting. The Government arbitrarily took over the railways at a valuation, paying for them with bonds. The project encountered strong opposition, but the measure was forced through the Diet, the occasion of its passage being attended by disorder in the House of Representatives.

In this way the Government secured properties which can be made to produce considerable revenue, since there is no competition, and which may, in a pinch, be further hypothecated to secure a foreign loan. Stimulated in many cases by governmental assurance of interest on their bonds, numerous industrial projects were capitalized, and an attempt made to induce foreign capital to invest in them. For a time this plan had some success, but the support of the Government was so obviously a plan to aid Japanese enterprises to enlist the support of foreign investors that it soon lost force and effect, and in time produced a reaction.

But during the period when optimism was in the saddle, which continued for at least a year after the war, the commercial and industrial activities of the nation experienced an enormous inflation. Recent statistics show that since July, 1905, the total capitalization of new enterprises is Yen 1,843,224,240.00; of which Yen 1,307,758,800.00 is invested in new enterprises, and Yen 535,465,440.00 is increased capitalization of concerns which already existed. An idea of the economic ratio of this expansion to the normal commercial and industrial condition of Japan may be given by stating that this increase of capitalization, which immediately followed an exhaustive war that more than quadrupled the national debt and tripled general taxation, amounts to one-sixth of the estimated total wealth of the country when the war began.

It is perhaps hardly necessary to say that this astounding expansion is more apparent than real, and was to a considerable extent accomplished by the familiar process of "watering." To the extent that they possessed resources, the Japanese enthusiastically threw themselves into the "boom" movement stimulated and directed by the Government. In now attempting to explain the Gov-

ernment's reason for so actively taking control, it is assumed that Japanese are deficient in modern industrial initiative, that they always have been accustomed to follow the lead of the Government, and that unless the Government had taken the lead it would not have been possible to so quickly stir the people to action. This may be true; but the Government has actively promoted many enterprises with which governments usually do not concern themselves. In stimulating national enthusiasm, Manchuria and Korea were represented as great potential assets, and Japanese were encouraged to emigrate to those countries.

The movement did not progress far, however, when it began to appear that the factor chiefly relied upon to provide the sinews of war, namely, foreign capital, was becoming shy. There were many minor indications of this as the "boom" advanced, but the first serious check to an enterprise directly fostered by the Government was the failure of the South Manchurian Railway loan. The manner of first advancing this project revealed clearly, to one acquainted with conditions in Manchuria, that it was grossly overcapitalized, and that a large part of its alleged assets consisted of property of uncertain value and whose title is in dispute with China. After being tentatively advanced in three western countries, with no success, the proposed loan was withdrawn as originally presented, and the last announcement was that the Government has decided to itself finance the project.

The political and practical considerations which, by undermining Japan's credit abroad, have contributed to bring her national expansion policy up with a round turn, have already been partly reviewed, and are essentially external factors. Briefly, they turn upon suspicion and resentment in the West at Japan's policy in Manchuria and

Korea, and realization in some quarters that western capital loaned to Japan is in her hands being directed against western interests in the East. Whatever may have caused the change, western investors now have an aversion to Japanese securities. To some extent the financial depression in the United States, in the year 1907-8, and which affected the European market, may be presumed to have helped to precipitate a crisis in Japan. But it is reasonably sure that the new expansion movement had lost momentum before the so-called panic struck America.

Experience frequently has demonstrated that nothing will collapse more quickly than a "boom" which has exceeded its legitimate basis, and reaction in Japan took the usual course. The spirit of optimism was succeeded by a period of doubt, quickly followed by one of apprehension. This inevitably led to a scrutiny of the Government's policy, which is now being subjected to severe examination. A result is revelation of a condition which well may cause the most optimistic believer in the fortunate destiny of the Empire to pause and take stock before advocating continuance on the present course.

Of vital importance in this connection is the financial condition of the nation. The national debt is now approximately Yen 2,617,000,000.00, and the annual interest charge is Yen 166,000,000.00; which means a per capita debt of Yen 45.00, and an annual interest charge per capita of Yen 3.50, or about 8 per cent. per capita of annual earnings. While there is nominally a sinking fund to liquidate the debt, investigation shows that the existence of this fund is due to manipulation in bookkeeping, and that it is to some extent a financial fiction. Although the admitted deficit in fiscal accounts for the year 1907-8 is not large, it was asserted in the Diet that it will reach Yen 120,000,000.00, which must be cared for by the new tax-

ation. The apparent deficit is less than this sum, but certain estimated revenues, such as those derived from some Government monopolies, are believed greatly to be exaggerated and based upon expectations not likely to hold good if present conditions continue.

It may occur to some that this debt is not a very great burden for a nation in modern times; but such matters are comparative, and Japan's financial situation must be judged by her resources. These in turn depend upon her national productiveness, as expressed in earnings of the people who must pay the taxes. The new extraordinary taxation law raises the annual per capita taxation to Yen 16.00 (\$8.00), which may not strike Americans as burdensome. Let us examine the situation of the average Japanese taxpayer. In 1904 an economist estimated the monthly economies of an average Japanese family, consisting of man, wife and two children, as follows:

EXPENSES.

House rent.....	Yen 0.75
Rice	3.25
Fuel and light.....	.41
Vegetables .....	.60
Fish .....	.60
Soy and Miss.....	.23
Tobacco .....	.25
Hair cutting, etc.....	.18
Bath20
Pin money60
Sundries, including interest on debts....	2.37
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Total	Yen 9.44
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Monthly income	8.28
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Deficit	Yen 1.16

If this accurately represents the income of a lower class Japanese family, such a family will to-day be paying an annual taxation of 65 per cent. of its income. This estimate was made in 1904, and it is generally agreed that since then the earnings of the poorer classes have increased. No one seems to have gone into the matter with the care of the investigator whose estimate is quoted, but since 1904 the foreign trade of the nation has increased 58 per cent., and it is assumed that the productive capacity of the country has advanced in about equal proportion. It is also, however, true that the average cost of living has increased, chiefly due to a rise in the price of commodities caused by raising the import tariff; or, in other words, is indirectly due to increased taxation. Well informed people differ as to how much wages have advanced since the war, and the following extracts from an official report recently compiled may be taken as an approximation of the facts:

MEAN WAGES OF WORKMEN IN JAPAN.

Bricklayers	Yen 0.60 per day.
Masons .....	.50
Blacksmiths .....	.45
Printers .....	.53
Carpenters .....	.70
Weavers .....	.33
Silversmiths .....	.45
Shoemakers .....	.55

These are wages paid in Tokyo, where they are higher than is usual throughout the country. Monthly wages in Tokyo are as follows:

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MEAN MONTHLY WAGES IN JAPAN.

Sake-distillers	Yen 7.00
Menservants	3.32
Maidservants	2.92
Silk-worm breeders.....	9.00
Raw silk spinners.....	6.55
Farm laborers	3.33

These figures show a slight increase over wages paid before the war. Several persons whom I have questioned estimate the average earning of a Japanese family of four in the lower class at Yen 160.00 annually, which requires the children to work. None whom I asked placed the figure higher than Yen 200.00 annual income. Taking Yen 160.00 as a fair average, the average Japanese now pays 40 per cent. of his total earnings in taxes. Other comparisons may contribute some light. In five years the unproductive charge upon the earning capacity of the people, including interest sent abroad and military and naval expenses, has increased from Yen 119,000,000.00 to Yen 359,000,000.00, while the population has increased 5 per cent. The comparative increase of certain pertinent items in the national economies from 1898 to 1908 follow:

Increase of population.....	8 per cent.
Average increase of earnings.....	30 "
Increase of taxation.....	400 "

It may be assumed to be possible for superior statesmanship to extricate a nation from this situation by adopting a policy at once reassuring to its creditors and calculated to restore fiscal equilibrium by economy in the expenditures of the Government, and by beginning a reconstruction of industrial conditions from the bottom up. But there is little evidence that the Japanese oligarchy

realizes the imperative necessity for such reformation. On the contrary, the Government persists in its policy of trying to lift the nation to power and prosperity by taxing the people to subsidize industries which the Government desires to promote, often without proper consideration of whether they can be made profitable. An example of this is afforded by the Imperial Iron Works at Wakamatsu. In the course of a recent inquiry into the condition of this enterprise before a budget sub-committee, it was revealed that during the ten years of its existence it has cost the nation Yen 56,412,000.00, with no reasonable prospect that it will become a paying business. The chief reason for establishing this foundry was the alleged necessity for certain materials required for the army and navy to be produced in Japan. Shipping lines in which the Household is interested now receive subsidies amounting to treble the annual dividends which they pay, and it is proposed to increase this subsidy.

None of the conspicuous instances of Japan's Government ownership policy has caused such popular dissatisfaction as the nationalization of the railways. From all parts of the country now come complaints that the Government is permitting the railways to run down, that the service is bad, and inadequate to meet the business needs of the nation. It is known, also, that in other industrial enterprises backed by the Government dividends have been paid out of subsidies when the concerns were not earning a profit, and by permitting upkeep and improvement to lapse. The publication of such matters in Japan gradually sapped public confidence and brought on a period of liquidation. The year 1908 witnessed a large number of business failures, and hardly a month passed without bringing to the surface facts which impaired the standing of some prominent bank or firm.

Comparison of leading securities with quotations of the same period during the previous year shows an average depreciation of about 35 per cent. The money rate has steadily advanced for three years. Few new projects are being actively pushed, and there is stagnation in most important lines of business. This condition is attributed by some partially to increased taxation, which, by raising the price of commodities, has had a tendency to diminish consumption.

Confronted by this condition, the Government seems to recognize that it must modify its fiscal policy, but there is divergence of opinion as to the plan to pursue. The situation quickly could be relieved by striking out of the budget the extraordinary expenditure for armaments, but the military party has so far refused to yield an iota in its demands, and has succeeded in forcing its budgets through the Diet. However, something must be done. In the course of the next few years, a succession of foreign bond issues must be met, and difficulty in refunding is anticipated. Japanese financial interests are uneasy concerning the situation, although they publicly profess optimistic views. It is feared by the Government that European investors will insist upon the employment by Japan of a foreign financial adviser. To be required to thus again take a seat in the class, after all that has been said about Japan's ability to teach the West, will be so galling to Japanese pride that the Government will give any assurance or grant almost any terms to avoid it.

It is, I think, becoming appreciated in Tokyo that if Japan wishes to retain the confidence of western investors she must do something else beside borrow money and increase her armaments. With conservative administration and a revulsion from certain centralizing tendencies, there is a field for legitimate investments in Japan, but it is

becoming evident that many enterprises actively promoted and supported by the Government are indirectly aimed at western industrialism. The need of effort to avert a collapse of her policy may compel Japan to attempt reformation, but it is doubtful if this will be sincerely undertaken except as it is induced by external pressure.

CHAPTER X

FOREIGNERS AND FOREIGN INVESTMENTS IN JAPAN

THE OPENING OF JAPAN — INTRUSION OF FOREIGNERS — ESTABLISHMENT OF THEIR STATUS — THEIR INFLUENCE UPON THE PEOPLE AND NATION — THE ABOLITION OF EXTRATERRITORIALITY — ALTERATION OF CONDITIONS — PERSONAL RIGHTS OF FOREIGNERS — TREATIES, LAWS AND THEIR ENFORCEMENT — CHANGE IN SENTIMENT AMONG JAPANESE — REASONS FOR THIS CHANGE — ATTITUDE OF JAPANESE COURTS TOWARD FOREIGN RESIDENTS — EXCLUSION OF SOME CLASSES — PROPERTY RIGHTS OF FOREIGNERS — BASIS FOR FOREIGN INVESTMENTS — DEFECTS IN THE LAWS — INDUCEMENTS TO FOREIGN INVESTORS — PLACING JAPANESE SECURITIES ABROAD — WESTERN INFLUENCE UPON THE DEVELOPMENT OF JAPAN'S INDUSTRY AND TRADE — FOREIGNERS STILL NEEDED.

THE discussion which, during the last two years, has attended the relations between Japan and the United States, has had a tendency to bring into prominence issues bearing upon the status of Orientals in western countries, and of Occidentals in eastern countries. Much has been printed about alleged mistreatment of Japanese who reside in America, and an impression sown broadcast that the Washington Government is delinquent in its treaty obligations, and that Americans are disposed to adopt an attitude offensive to Japan, which gives that nation some just ground for diplomatic complaint. Little, however, has been said about the status of Americans and other foreigners in Japan and in regions temporarily or permanently

under her control. This phase of the matter possesses at least equal importance in any correct estimate of the international balance, and in view of the persistence of the discussion and the dissemination thereby of numerous misconceptions, it may be interesting to examine the reverse of the picture.

The residence of foreigners of western origin in Japan dates from the early activities of traders and missionaries; but for the purpose of this discussion it is not necessary to consider their condition and status before the movement which has resulted in Japan taking place among modern nations was begun, a period extending back, approximately, half a century. Modern international relations between the West and Japan really date from the time when her foreign commerce began to develop, and its possibilities came to be appreciated by Japanese. Commercial reasons, which need not be reviewed here, led to the residence in Japan of foreigners in considerable numbers. The presence there of foreign colonies and the need of regulation of foreign trade caused the promulgation of treaties, which stipulated the conditions under which westerners might reside and do business.

The earlier treaties were based upon the principle known as "extra-territoriality." Under extra-territoriality there was a great development of Japan's domestic and foreign trade, and the nation made steady strides along the path of modern progress. It would be too much to say that in accomplishing this transition the foreigners took a predominating part, but it is certain that they were largely responsible for it, and that by example, advice, and active assistance they materially contributed to the result. This was the period during which the foundations for the New Japan were laid; and while foreigners

could not have constructed it by themselves, it is probable that it never would have been built without their presence and influence. When Japan felt ready to take her place among the nations on equal footing, she petitioned the powers to abolish extra-territoriality, which was granted, (not without misgiving,) and new treaties substituted. The treaties which now define the relations between Japan and other nations vary somewhat in minor details, but do not, as a rule, depart from the customary formula. By consenting to abolition of extra-territoriality, which they could then have continued to impose upon Japan, the western nations accepted her assurance that such provisions were no longer needed to assure to foreigners residing in Japan security for person and property and equality under the law. In setting Japan completely upon her diplomatic feet the United States took a prominent part.

Consideration of the present legal status of foreigners in Japan may be simplified by dividing the subject into two general headings — personal rights and property rights.

Broadly speaking, the personal rights of foreign residents in Japan are presumed to be the same as are enjoyed by foreign residents in western countries. This is stipulated by treaties. But a treaty is only a sort of international contract, and cannot be directly applied to the domestic administration of a nation. In practice it is only the law of the land which specifically applies. While laws which run directly contrary to the wording or spirit of an important treaty are seldom wittingly enacted, it is well known that the actual effects of laws in any country must be sought not in their phraseology, but in the way they are interpreted and administered.

In civilized countries personal rights turn, as a rule, upon ordinary conditions of life; liberty as to time and

place of residence, equality in respect to the conditions surrounding and circumscribing existence, business and social relations. None of these is a fixed element anywhere, and in respect to foreigners in Japan there has been a constant evolution accompanied by some illuminating manifestations. In the beginning, foreigners were regarded by Japanese as superior persons, worthy of emulation, and capable of imparting valuable instruction. They not only were tolerated, but were for a long time regarded as being indispensable to the progress of the country. Foreigners assisted in the administration of government and the revision of laws; supervised construction of railways and the installation of modern conveniences; directed the construction of manufacturing plants which were industrially to resuscitate the nation. Foreigners formulated the nation's commercial activities upon a modern basis, formed a nucleus upon which financial stability could be built, and through which a better conception of commercial morality might be disseminated. The foreigner was the avenue through which foreign capital, so badly needed to finance the new activities, could be introduced. In fact, the foreigner was useful in a thousand ways.

But as conditions in Japan have gradually shifted, so have shifted the views of Japanese about foreigners and the attitude of the Japanese Government toward them. As Japanese learned the methods of westerners and began to feel confidence in their own efficiency in modern ways of endeavor, they developed a disposition to dispense with the advice of foreigners, and also to resent their presence in Japan to the extent that it results in activities which Japanese might otherwise monopolize or involves competition with Japanese industry and commerce. We are here concerned not with the justice or injustice of this

disposition, but only with the fact, which cannot successfully be disputed.

That in issues between foreigners and Japanese the foreigners can appear in Japanese courts only at a disadvantage, especially when the matter involved is too trivial to become the subject of diplomatic representations, has long ago passed into a proverb among residents of foreign colonies in Japan, and is so well recognized that foreigners will submit to any tolerable injury before they will resort to the courts. Only in recent years, however, since the presence of foreigners has begun to touch the edges of Japan's internal industrial situation, and their direction of important enterprises has begun to rub the growing self-pride of Japanese, has the Government resorted to direct and indirect methods to render their situation uncomfortable and unprofitable. To illustrate fully this tendency would require elucidation of many laws, and hundreds of legal rulings made by Japanese courts, and citation of numerous cases in point, space to do which here is lacking. While this tendency had been noticed and made the subject of much bitter complaint, it did not fully develop until after the war against Russia, which had the effect of dispelling in the mind of the average Japanese all lurking doubt of his ability to cope with the westerner on equal terms. Since the war legislation has been enacted which has the thinly disguised object of putting pressure upon foreign residents. The fact is, in my opinion, that the only foreigners who are wanted in Japan to-day are tourists and sojourners, whose financial contributions represent quite an asset to many classes.

Since much of the discussion about the situation of Japanese in the United States turns upon that class denominated as laborers, it is interesting to consider a ruling of a Japanese court, made before the controversy about Jap-

anese immigration to the United States and Canada arose, which placed a limitation on the treaty clause guaranteeing to foreigners the right to reside and do business outside the former foreign settlements, by especially excluding artisans and laborers. As a result of this ruling, which undoubtedly was made at the instigation of the Government, (being based on an Imperial ordinance,) a foreign artisan or laborer cannot engage in his occupation outside of the former concessions without special permission from the Minister for Home Affairs, which permit, if granted, may be revoked at any time. The great Japanese shipping lines and commercial houses long ago commenced the removal of foreign employes, and are rapidly replacing them with Japanese. The economic reason which applies to foreigners of this class (i. e., that Japanese will work cheaper,) does not equally apply to the exclusion of skilled foreign artisans and laborers, for whom there now is no substitute in Japan. It seems clear, then, that this action of the Government, through the courts, was a concession to Japanese labor guilds, which at present are animated by a strong anti-foreign (they call it patriotic) sentiment.

The occasion for this ruling was, I believe, the desire of a foreign corporation engaged in establishing a manufacturing plant to employ foreign artisans to install machinery and other appurtenances, as it had long been the custom to do. A Japanese firm which had proposed without success to undertake this work invoked the clause of a treaty which concedes to each nation the right to construe its provisions so they shall not interfere with a nation's police power, or the laws, ordinances and regulations with regard to trade, or to the immigration of laborers. Since the policy of the Government to establish all important enterprises in Japanese hands has developed, in

many instances foreign firms and foreign-owned corporations have been involved in specious litigation with the evident purpose, and frequently with the result, of compelling them to sell to Japanese purchasers.

It may be pointed out, in this connection, that, after all, these matters are but pin-pricks; that a government should be permitted to regulate its internal affairs, and that if foreigners in Japan fret under the conditions which circumscribe their residence there they always have an alternative, if not a remedy, by moving elsewhere. As a general rule this is perfectly true, although many seem to have overlooked its bearing upon Japanese in the United States. But some aspects of the status of foreign property rights in Japan and in regions now controlled by Japan have a wider bearing, and cannot thus be dismissed.

In civilized countries the conditions under which property may be acquired and held are the basis for industrial and commercial activity and general prosperity; so it followed, naturally, that in making it difficult for foreigners to secure a stable foothold in Japan, the Government chose this medium. I have before me a treatise and digest of Japanese legal codes, and the western prototypes (chiefly German) from which they were derived, but it is not necessary specifically to examine them here. Formerly a foreigner could not acquire real property in Japan, except within the limits of the foreign settlements. The Government soon learned, however, that the much-desired foreign capital would not enter the country under these circumstances, and so the law was modified by creating a legal fiction known in Japan as a *juridical person*. Put understandingly to the lay mind, this *juridical person* must be a Japanese, in whom actual title to any real property owned by a foreign individual or corporation is vested. When this law was promulgated an

attempt, (passably successful,) to reassure foreign investors was made by representing that this was merely a way of getting around an ancient Imperial law which forbids alienation of the national domain, and that property can be securely held under such a title.

It formerly was also impossible for a foreigner to take a valid lease upon real property, and here again an equivocation, or what practically amounts to one, was resorted to by the creation of a right in land called *superficies*. *Superficies*, as a right in land, is, I believe, unfamiliar to British and American jurisprudence, although in some of our older States there exists a partial equivalent in a sort of ground rent. As outlined by Japanese law, *superficies* is a form of leasehold of vague and uncertain character whose intricacies, if examined in full, would only cloud this discussion. Its chief defect seems to be that the existence, in reversion, of a right of escheat vested in the Government, makes tenure uncertain and almost amounts to a definite cloud upon title. Several cases involving this *superficies* in which foreigners are implicated have been dragging along in Japanese courts for years, with little prospect of a satisfactory (to the foreigners) settlement. A foreign authority on Japanese law who has long resided in Japan told me recently that in his opinion *superficies* is not legally sound, from the standpoint of the foreigner, either as security or investment. On the face of the statutes the title involved in the *juridical person* seems more secure, and it at present represents the better legal basis for foreign investments and property rights in Japan. But it is by no means satisfactory to foreigners there, who find it necessary to place their interests to some extent at the mercy of Japanese. Cases involving the use of the *juridical person* when foreigners either have lost their

property or been put to great expense and vexatious litigation to secure it might be cited by hundreds.

Several years ago John Schroeder, a foreigner who has long resided in Japan and is happily married to a Japanese lady, and who has studied the economic situation of the country, was requested by a European economic journal to define the status of foreign investments there. He summed up the conditions and questions involved as follows:

"The points, then, where the basis for foreign investments in Japan is defective, or insecure, are:

"1. The reversal of the common order of things in all matters of labor, in that the demand for skilled labor is always far in excess of the absolutely insufficient supply.

"2. The absence of laws regulating the relations between masters and servants, and the absence of courts in which disputes and differences between masters and servants can be quickly and cheaply settled.

"3. The impossibility of filling the deficiency in the supply of Japanese skilled labor with competent foreign labor, on account of regulations hampering the introduction of foreigners, and the exorbitant cost of living for foreigners in Japan, who are surrounded by rings of Japanese dealers in league with Japanese servants to defraud their employers. And when the new tariff [this was written before Oct. 1, 1906] comes into effect the cost of living for foreigners will be further enhanced from 40 to 50 per cent., as the heaviest increases are upon articles principally consumed by foreigners. Everything seems to point to the fact that Japanese policy is directed toward closing the country to foreigners so far at least as permanent residence is concerned, by creating a condition

which will make it unprofitable for foreigners to live and carry on business in Japan. This is the opinion of foreign merchants with whom I have spoken on the subject, and it is my own opinion. As things now are, there are few foreigners who do not regret that they ever came to Japan to reside.

"4. The fact that foreigners may not purchase and own real estate in Japan, except such lots of land in the small former foreign settlements which are held under the old title deeds, so that no permanent enterprises to which the ownership of real estate is essential or indispensable can safely be undertaken by foreigners in Japan.

"5. The defects in the legal codes, and the still greater defects in the administration of the codes by the Japanese courts, which tend to make business in many cases an unqualified risk, so that many foreign merchants refuse now to enter into new lines of business and to accept new connections."

Personal investigation in Japan has convinced me that the views of this writer, who is well known and respected, are those of the major part of the foreign business community, although under existing conditions most foreign residents hesitate to express them publicly. Some tolerant critics of Japanese character attribute the disposition of Japanese courts to lean toward the interests of their own nationals in litigation between them and foreigners to unconscious rather than calculated partiality, and as based upon traditions of Oriental jurisprudence which the West does not fully understand or appreciate. This charitable view does not, however, alter effects upon foreigners who are compelled to seek justice in Japanese courts, either in regard to personal or property matters.

Japan is still far from the stage when her torch of civilization can enlighten the world.

In view of the general attitude of the Japanese Government and people toward foreigners who reside there, and toward foreign investments in Japan, the optimism with which some phases of the new national activities were advanced causes astonishment. Especially is this true of Japan's effort to induce the extensive investment there of foreign capital. The method by which the Government stalks the foreign investor operates, as do so many of Japan's new activities, through the banks. It is usually something like this: a stock company will be organized, its stock duly subscribed for, and part of the capital paid in. Then bonds will be issued, and placed, if the Government is supporting the enterprise, with the Nippon Ginko or one of the other Japanese banks which have branches and agencies throughout the world, to be presented to foreign investors. The Japanese bank will not do this directly. It will split up the bonds in portions to be distributed in various countries, as the financial and political situation seems to warrant, and allot the portions to agents or correspondents of the Japanese banks in those countries. For instance, the bonds of an electric lighting and power company with a charter to conduct business in Japan, or of a concern holding a mining concession in Korea or Manchuria, may be sent to a banking house in Wall street, which is the correspondent, let us say, of the Nippon Ginko. These bonds, by means of the customary process, will be offered by the American bank or house to its customers through its regular channels, with the statement that the Japanese Government guarantees interest on the bonds. To the average investor in such securities this probably will be considered

satisfactory, and he may put his surplus funds, if a better investment does not just then offer, into the bonds. This money goes to Japan, less the commission of the American concern (usually very liberal. In the case of some of the Japanese foreign loans it netted nearly three per cent.), and there helps to finance the new national system.

Foreign investors in such securities may figure that even if the enterprise, of which they probably know nothing, should fail to make money their interest is assured; and under ordinary circumstances this would be true, since governments nowadays habitually meet their obligations. But clearly here is a different condition. The Japanese Government is going into this thing on a large scale; which means that it is really taking the same chance as the foreign investor in the success or failure of the enterprise. If the Japanese Government had unlimited financial resources it might not be seriously affected by any miscarriage of its scheme. Under its present fiscal circumstances, it is possible that if the new system fails the finances of the Japanese Government will go down with it.

In this connection the status of foreign investments in Japan becomes pertinent, for if enterprises in which foreign capital is invested cannot be operated at a profit and consequently fail, the only security for the capital will be whatever property may be owned by the corporation. Assuming that such a company fails, this question will arise in cases where the interest on its bonded debt is guaranteed by the Government: Is the Government, after the company has gone into bankruptcy and ceased to operate, obligated to continue to pay the interest on the bonds of an extinct enterprise? I put this question to a foreign lawyer in Japan, of many years' experience in

practice there, and he declined to express a definite opinion on the legal point involved, but he said:

"In the long run it would depend on what kind of a settlement the investors could make with the Government."

To put it flatly, the attitude of Japan toward the foreign investor whom she hopes to induce to financially support her new economic system amounts to this: "We want your money, but you must absolutely trust it to us." The present disposition of the Japanese Government toward foreigners, as exemplified by their legal status in Japan, hardly justifies foreign investors in accepting this condition.

Examination of Japan's industrial situation reveals that it is entirely founded upon western forms, and that it is still largely dependent upon western ideas for vitality. This is particularly noticeable in respect to her export trade, of which the United States takes 30 per cent., our country being Japan's best customer. While the use of Japanese curios is extensive in America, and gives a superficial impression that they are an important item of export, such articles really are unimportant in comparison with Japan's staple exports upon which her new trade expansion is founded. Articles made in Japan which have a large and steady sale abroad are chiefly utilitarian, and in manufacturing them western habits and taste must be considered. Many factories in Japan depend entirely upon foreign consumption. Speaking to me recently about this phase of Japan's development, an American who has had twenty years' experience as an importer of Japanese products, and who makes an annual visit there, said:

"I notice among Japanese commercial classes a growing disposition to assume that they can now dispense with

western advice and ideas. This is a very short-sighted view. Take the products which I import to America. None of them is in any way necessary to my customers. We have taught them to buy them by cultivating a taste for them, and by inducing Japanese manufacturers to follow our ideas and designs. Indeed, I may say that many important articles of export from Japan have sprung entirely from the brains of foreigners. Japanese themselves would never have thought of doing half the things which now constitute their modern industrial system, and where they are in error is in assuming that in the future they can dispense with western brains. I brought over this time more than fifty new designs and ideas to be put into effect here, and to the extent that they become popular they will make for Japanese trade. Most Japanese goods which we sell are articles which we have thought of and induced them to make. Unless we continue to push these articles our customers will substitute others. For twenty-five years western commercial and industrial ideas have been flowing into Japan and contributing to the stimulation of her industry. A trouble with Japanese to-day is that they now assume that they have done all this themselves, and do not seem to realize that if, for any reason, this injection of western ideas should stop it will mean the deterioration of Japanese trade and industry. Industrially, Japan has contributed practically nothing to the West, while the West has given freely to her of its best ideas and knowledge, and will continue to do so unless they are rejected. I believe that if it was possible to again isolate Japan, and entirely cut her off from contact with the West and western ideas, fifty years from now would find the nation back where it was fifty years ago."

It may be that this American has an exaggerated view of the part which the West has played in creating the

Japan of to-day, and underestimates the initiative qualities of Japanese, but many westerners who have long resided in Japan hold similar views, especially those who have devoted time to studying the industrial aptitude and methods of the people. Comprehension of her real relations to the West may in time be restored in Japan, and perhaps improvement of the situation of foreigners there will be among its results. In estimating some matters Japanese are a bit out of perspective just now.

CHAPTER XI

THE SUBJUGATION OF KOREA

ESTABLISHMENT OF JAPAN'S SUZERAINTY — ADMINISTRATIVE REORGANIZATION OF KOREA — JAPANESE "ADVISERS" — CREATION OF THE RESIDENCY — MARQUIS ITO'S POSITION — STRUGGLE BETWEEN THE MILITARY AND CIVIL FACTIONS — DEPOSITION OF THE EMPEROR — FINAL EXTINCTION OF KOREAN AUTONOMY — DISBANDING THE KOREAN ARMY — JAPANESE ATTEMPTS AT REFORM — PRACTICAL EFFECTS OF JAPANESE REFORMS — SITUATION OF THE KOREANS — THEIR DISTRESS UNDER JAPANESE RULE — JAPANESE IMMIGRATION — ATTEMPTS TO JAP-IZE KOREA — EXPLOITATION OF THE COUNTRY — THE INSURRECTION — A HOPELESS STRUGGLE — POSITION OF THE KOREAN COURT — THE EMPEROR A PRISONER — CHRISTIAN MISSIONARIES IN KOREA — A DEPLORABLE SITUATION.

IT is no longer possible to describe Korea correctly, in a political sense, as a nation. And, although the country is governed by Japanese, it is not a part of Japan. Politically, Korea is a vassal, stripped of the last vestige of administrative autonomy, and without a voice in directing even the more trivial of her internal affairs. It is, therefore, interesting to ascertain the conditions under which ten millions of Koreans, who five years ago constituted an independent Empire with a government and a civilization thousands of years old, and which had diplomatic relations with all the greater nations of the world, are now living.

It is not always possible, especially in the East, to



A STREET IN SEOUL.

judge the administration of a country by its governmental forms; but these forms provide a basis for comparison. The series of so-called "agreements," signed by the Emperor under Japanese coercion in 1904 and 1905, by which the substantial suzerainty of Japan was internationally established (it had already been actually established by military occupation) need not be reviewed.¹ They formed the basis for administrative reorganization of Korea under Japanese direction. The Emperor remained titular head of the State, presumably assisted by a ministry composed of Koreans. The interests of Japan are cared for by a Resident General, with the usual administrative departments of foreign affairs, finance, revenue, justice, posts and telegraphs, etc. Each member of the Korean cabinet is compelled to employ a Japanese "adviser," with whom he is expected to consult in regard to administrative matters. Until the summer of 1907 some outward remnants of Korean authority were permitted to exist, although they could exercise no initiative. Among these was the Korean army of 6,000 to 8,000 troops, and the palace guards. However, even before the final extinction of Korean autonomy in July, 1907, the Emperor was kept secluded in his palace, and his ministers were under constant Japanese military surveillance.

Under this arrangement Japanese, during the years 1905-8, took over all branches of the central government. Feeling that her administration of Korea would be keenly watched by the world, Japan induced Prince Ito to accept the place of Resident General at Seoul. It probably was felt in Japan that Ito then enjoyed a greater repu-

¹ An account of the seizure of Korea by Japan, in 1904, is given in the author's *The New Far East*.

tation in the West than any other Japanese, and that his name would carry weight.

Ito's assignment to Korea, which was hailed in many quarters as a guarantee of a wise and humane administration, soon developed a schism in the Japanese party there. When Ito came the military was in full control and, as invariably is the case in such circumstances, was reluctant to yield its authority to a civil government. A less forceful man than Ito would have been bent to the military yoke, but he quickly forced an issue and informed the Tokyo Government that he would remain in Korea only with understanding that he have full authority. Although compelled outwardly to take a subordinate position in the Government, the military party was not defeated, but has remained a power which Ito has been able to restrain but not entirely to control. Among Japanese in Korea there are, then, two factions — civil and military; and of these the military is by far the more numerous and influential, although the civil party nominally directs the administration of affairs. Prince Ito is absent in Japan much of his time, and even when in Korea cannot be fully cognizant of conditions throughout the country, or of minor administrative details, and there is no doubt that much goes on about which he is ignorant or only partially informed.

This was the general situation when Japan seized the opportunity afforded by the appearance of the Korean delegation at the Hague conference in 1907, to take a step which had been contemplated for some time — the deposition of the Emperor. The Emperor, (he is now officially called the Retired Emperor,) is bitterly hostile to Japanese occupation and was constantly trying to devise ways to regain his kingdom. Japan probably feels that she cannot yet dispense with some kind of an Imperial

figurehead in Korea, but she was glad of a chance to replace the old Emperor by a more tractable man. Such a one was ready to hand in the Crown Prince, who is little more than an idiot about most matters, and who is utterly without strength of character or wit to resist Japanese domination.

On July 16, 1907, the Korean cabinet, acting under instructions from the Resident General, waited upon the Emperor and proposed to him the alternatives of abdication in favor of the Crown Prince or agreeing to the following stipulations:

- (a) That he sign with his own seal the suzerainty agreement of November 17, 1905.
- (b) That he agree to the appointment of a regent.
- (c) That he proceed to Tokyo and personally apologize to the Emperor of Japan.

The two latter clauses are self-explanatory, but the first may require some elucidation. After Japan had announced to the world the so-called agreement² of November 17, 1905, by which Korea recognized the suzerainty of Japan, the Korean Emperor managed to elude the vigilance of his Japanese guards and published a statement in which he denied having signed this agreement, and called attention to the fact that the document did not contain his seal. The first stipulation meant, therefore, that Japan required the Emperor formally to seal and ratify the agreement which he had repudiated. Of course, whether he acceded or not could not alter the *status quo*, for Japan was exercising sovereignty anyhow. The stipulation that he proceed to Japan frightened the Emperor very much, as he, whether rightly or not one can hardly determine, believed that he would be

² Appendix I.

detained there as a prisoner. He is a prisoner in Korea, but he shrank from the prospect of exile.

The Emperor refused to accede to the stipulations without having time for consideration, and the ministers left without obtaining an answer to Japan's demand. That night the Emperor sent word to E. H. Bethell, editor of the *Korean Daily News*, informing him of the situation and asking that news of his predicament be published, which was done in both the English and vernacular editions of this paper on the following day. As soon as the news was disseminated among the people a large crowd assembled near the palace for the purpose, in accord with an ancient Korean custom, of petitioning the Emperor to not agree to the stipulations. The crowd was orderly, and it was dispersed by Japanese soldiers without a disturbance. Meanwhile, further pressure had been put upon the Emperor, and on July 18 he appointed the Crown Prince to be Regent. When this was announced to the people another crowd assembled outside the palace. An attempt by Japanese troops to disperse it led to rioting, during which a number of Japanese and Koreans were killed and wounded. The people finally were dispersed and the streets cleared.

For several days the resentment of the Koreans smouldered, but there were no further popular demonstrations. It was supposed by Koreans that the regency was only temporary, and that the Emperor would resume the throne. On July 23 a new agreement defining the relations between Japan and Korea was signed by Prince Ito and Yi Wan Yong, the Korean prime minister, who acted for the Regent. As this document affords a clue to certain methods of Japanese administration, I give it here in full:

Article 1 — The Government of Korea shall follow the direction of the Resident General in connection with the reform of the administration.

Article 2 — The Government of Korea shall not enact any law or ordinance, or carry out any important administrative measure unless with the previous approval of the Resident General.

Article 3 — The judicial affairs of Korea shall be kept distinct from the ordinary administrative matters.

Article 4 — No appointments or dismissals of Korean officials of the higher grade shall be made without the consent of the Resident General.

Article 5 — The Government of Korea shall appoint to official positions under it such Japanese as may be recommended by the Resident General.

Article 6 — The Government of Korea shall not engage any foreigner without the consent of the Resident General.

Article 7 — The first clause of the agreement between Japan and Korea signed on the 22nd day of the 8th month of the 37th year of Meiji is herewith abrogated.

By this agreement the Korean Government is reduced to a position where it cannot enact any law however trivial, cannot appoint or dismiss any official, cannot put into execution or suspend any administrative measure, and *shall* appoint all Japanese officials recommended by the Japanese Resident General; in other words, it can no longer exercise any of the functions of a government. Simultaneously with the promulgation of this agreement, the Resident General compelled the Emperor to sign a revised abdication, making it final and absolute, thus making the Crown Prince Emperor.

When news of the deposition of the Emperor spread

through the country it greatly excited the people, and an insurrectionary movement sprang up in the provinces, which was fanned by the action of the Japanese in disbanding the Korean army. Japanese allege that they had information of a plot in the Korean army to revolt and restore the retired Emperor to the throne. There seems to be no tangible proof of such a plot, although there is no doubt that the army was dissatisfied, as nearly all Koreans are, with Japanese rule; but the Residency decided upon drastic action. At 6 o'clock on the morning of August 1, 1907, an order from the Residency and approved by the new Emperor, was presented to the commanders of the four Korean barracks at Seoul. This order instructed the officers to parade their troops without arms and read to them an order of dismissal. There had been no previous intimation of such an intention, except rumors, and the order came as a surprise to the Korean officers and men. In fact, this action of the Japanese was brutal and tactless. The Korean army undoubtedly contained many wretched specimens of humanity, but it also contained thousands of honest men, who might at least have been paraded with their arms and thanked for their services, as is usual under such circumstances, before being disbanded. At all barracks except one the order was quietly obeyed. Hardly had the Korean regiments broken ranks when detachments of Japanese troops, which were stationed outside, entered, occupied the barracks and took charge of the arms and equipment.

At the West Gate barracks a striking scene occurred. The Colonel paraded his troops as ordered and read to them their dismissal. He then advised the troops to disband, saying there was nothing to do but submit, retired to his quarters and fell upon his sword. The news of

his suicide quickly spread, and some soldiers seized their arms and began firing at a detachment of Japanese troops which was preparing to occupy the barracks. Others joined the rebels, and the firing became general. Japanese troops were hurried to the scene, and a heavy fire from rifles and machine guns was poured into the barracks. As the Japanese had for some time kept the Korean troops on a short allowance of ammunition, this was soon expended and the rebels were left without means of resistance. A majority of them abandoned the fight and attempted to escape, which many succeeded in doing. Some continued to fight until the Japanese troops had penetrated the barracks and entirely surrounded them, when they were shot down. Eventually hundreds of ex-soldiers made their way into the country and joined the "volunteers," as the insurgents are called, thus giving the movement fresh vitality.

In pro-Japanese reports about the situation in Korea it is almost invariably represented that hostility to Japanese rule (it is usually called "reform") springs from and is incited by corrupt Korean officials who find their "graft" abolished under the new regime. Quite the contrary is true. A majority of corrupt Korean officials have been provided for by the Japanese. Many of them retain high office, drawing the emoluments but not performing the duties of their positions, and those who could not be quieted by this method have been deported, imprisoned or executed. Since the alternative to bending to Japanese power is exile or penury, or both, the mass of corrupt Korean officials have accepted the inevitable and obey the orders of their new overlords. The insurrection which began in 1907 sprung entirely from the people, the very class in whose interest the so-called Japanese reforms are presumed to be administered. Why the

Korean people, who bore almost without murmuring the exactions of their own officials and Government, have taken up arms in their feeble way against the Japanese is worth inquiring into.

It may be granted that, in a general way, the Japanese are gradually improving the structural form of the Korean Government, and modernizing its administrative method. In a pamphlet entitled "Administrative Reforms in Korea," recently issued by the Residency, its aim is stated to "give a general idea of the kind of assistance the Government of Japan is extending to Korea in carrying out administrative reforms in that country." Japanese reforms in Korea are, in this report, summarized under the following heads:

1. Reconstruction of roads.
2. Waterworks undertakings.
3. Extension of educational system.
4. Hospitals.
5. Reorganization of police system.
6. Purification of the Imperial Court.
7. Reforms of local administrations.
8. Reforms of the judiciary.
9. Financial reforms.
10. Codification of laws.
11. Reform of mining administration.
12. Protection of emigrants.
13. Encouragement of productive industries.

This is quite an imposing list, and all the matters contained in it are, stated in general terms, presumed to be beneficial. Such matters cannot, however, be judged by their pretensions, but by their results. Many of these "reforms" are merely business enterprises, such as water works and other utilities, which are expected to pay divi-

dends to Japanese shareholders, although they will, if properly operated, be of public benefit. Fully half of the so-called reforms instituted under the Japanese regime belong in this category, being a part of the application here of Japan's system of exploitation, and would hardly be termed administrative matters in most countries. Such affairs as education, finance, police and justice lie wholly within the province of governmental administration, and Japan has tried her hand at revising all of them here. So far, reform in education chiefly consists in replacing Korean and European teachers with Japanese, and the partial substitution of the Japanese language for the Korean and Chinese formerly used. It may be that in time this will work out beneficially, but its immediate effect has been to impair the standard of efficiency in teaching and to anger the Koreans, many of whom have withdrawn their children from the schools. The police system has been reorganized by creating a gendarmerie composed exclusively of Japanese, which is distributed throughout the country, replacing the former Korean constabulary.

A reform to which Japan points with pride is her revision of the judicial system. It is announced that the revenue saved by disbanding the Korean army will be devoted to improving the administration of justice. A Court of Cassation has been created, with a Japanese judge, and in time Japanese judges will act in the inferior courts. The codes will be revised and put upon a modern basis. This is commendable enough, but Japan's haste in this matter springs from a desire to gain the consent of the powers to the abolition of extraterritoriality. Meanwhile, there is no perceptible improvement of administration of justice; in fact, the Koreans are probably worse off than they were under their own corrupt and inefficient government. The country is

divided by the Japanese into sub-residencies, administered by vice-residents, who supersede the Korean governors just as the Resident General superseded the Emperor. In each district the resident is supported by Japanese troops and gendarmes. The inferior courts are still presided over by Korean magistrates, but a Japanese usually sits with veto jurisdiction. Practically, this system places the lives and property of Koreans entirely at the disposal of Japanese.

In many branches of administration this system has resulted in a dual authority. Where the Korean used to have to bribe one petty official he now has to bribe two, and so on up the line; for corruption in Japanese administration extends to the door of the Residency, is even believed to have penetrated the inner circle which immediately surrounds the Resident General. So far as I could learn, the probity of Prince Ito is not questioned; but it is known that his chief advisers keep him in the dark about much that transpires, and mislead him in many matters. On the whole, the character of inferior Japanese officials in Korea is even lower than in Japan, and while at home their venality is circumscribed, here it finds ample opportunity. That Japan intends to in time substantially exclude Koreans from official life in Korea is evident. There are now nearly 5,000 Japanese in the employ of the Korean Government. The Japanese are making a clean sweep of all the offices high and low. Even Korean coolies who were employed to build fires and sweep out the palaces and government buildings are being replaced by Japanese coolies. No position is too mean to be beneath the desire of some Japanese immigrant. In Seoul some Koreans are still employed as police, but only Japanese police are permitted to carry firearms, and the number of Koreans is constantly being reduced. At the present ratio



BRANCH AT SEOUL OF THE D'AI ICHO GINKO (NOW BANK OF KOREA).



STREET IN THE JAPANESE QUARTER OF SEOUL.

of increase, by the end of 1909 there will be more Japanese officials on the payroll of the Korean Government than were Koreans when Japan occupied the country, for it not only is Japan's policy to replace Koreans by Japanese, but to make as many new positions as the revenue will bear.

A calculated attempt is being made to convey an impression that Japan is "assisting" the Korean Government to reform itself at her (Japan's) expense. This is not true. The expenses of the Korean Government, including "reforms" instituted by Japanese, are borne by the Korean treasury, which is administered, of course, by Japanese. Already taxation has been raised, and measures for further increasing it are being considered. It is claimed by the Residency that most of the increase in revenue, as shown by the budget, is the result of economical process of collection and the elimination of "squeeze" which formerly went into the pockets of Korean officials. I think it is true that most of the "squeeze" has been eliminated in collecting revenue, but this has not resulted, as Japanese apparently wish to convey, in lightening the burden upon the people. On the contrary, there is much evidence to show that it has considerably added to this burden. The new Japanese officials, like the Koreans, are poorly paid, and having now to pass practically all the taxes on to those higher up, instead of being able to reserve a proportion for themselves, as formerly, compels them to exact their portion from the taxpayer by other means.

In the field of finance, the Japanese substituted the yen for the old Korean dollar, which is a desirable change and has resulted in giving the country a stable circulating medium. Notes of one yen and upward are issued by the Dai Icho Ginko (now the Bank of Korea), and are supposed to be backed by a specie reserve held in Japan. The subsidiary coinage also is minted in Japan, and represents

a profit in the coinage of about 40 per cent. Whether this profit is credited to the treasury of the Korean Government or goes to the Bank of Korea is not generally known. As the Korean Government (that is Japan) has needed more money to carry on the work of reform it has borrowed (from Japan) through the Bank of Korea. The expenditure of the money thus secured cannot be definitely traced by one outside the inner circle of the Residency, but it appears that most of it has been used upon works required by the Japanese; while Korean and other contractors have practically been excluded from public contracts which, by thus eliminating competition, have provided good profits for Japanese contractors. When the Japanese took the country Korea was out of debt, and Sir MacLeavy Brown, then Inspector General of Korean customs, told me, in 1905, that he thought the country could easily support an efficient government without increasing taxation. The Japanese already have begun to put the country into debt, and if the present policy is pursued there can be little doubt that within a decade the Koreans will be supporting as heavy a burden of debt and taxation as the people of Japan are now.

The scope of this work will not permit relation in detail of detriments which Koreans of all classes suffer under the Japanese regime. Bare mention of specific instances which, supported by reliable testimony, were called to my attention during my last visit would fill pages. These detriments may be summarized as follows: seizure of land and other property of Koreans by Japanese without proper compensation or legal warrant; exclusion of Koreans from participation in commercial and industrial development of the country; subjection of Koreans to abuse and indignities at the hands of Japanese immigrants, military and civil officials; the practical impossibility for

Koreans, except in flagrant cases, to obtain justice in issues against Japanese; superior advantages of Japanese over Korean tradesmen and merchants, through preferential treatment accorded by the Japanese administration; debauching of Korean morals by Japanese immigrants, by the introduction of thousands of Japanese prostitutes and by the introduction of pernicious vices, such as opium and lotteries. The detriments thus summarized are not based upon scarce or isolated cases, but are so numerous and widespread as unmistakably to indicate that they are the result partly of premeditated general policy, and partly due to laxity and indifference of Japanese administrators.

As a single greater instance of Japan's policy in Korea may be cited the Oriental Colonization Company, which recently has been granted a charter by the Japanese Government. This corporation has a capital of Yen 10,000,000.00, and is authorized to issue debentures up to Yen 100,000,000.00. To aid the company to secure capital, the Government is to grant for eight years an annual subsidy of Yen 300,000.00 to secure interest upon the investment. Thus launched with active governmental support, this concern is provided with a blanket charter under which it may engage in almost all kinds of business in Korea: commercial, banking, agriculture, marine industries, mining, manufacturing, purchase and leasing of land, etc. A primary object of the corporation is to colonize Korea with Japanese. Certain fundamental provisions of the charter are aptly illustrative of Japan's activities in Korea. The company is to be composed exclusively of Japanese and Koreans. The president *must* be a Japanese; of the two vice presidents one may be a Korean; and two-thirds of all managers and employes *must* be Japanese. The president and one vice-president *must* be appointed by the Japanese Government, and the other vice

president may be appointed by the Korean Government (which is Japan). Thus even in Japan's exploitation of Korea is the fiction of Korean participation outwardly preserved; and a way provided by which Koreans who consent to serve Japan, and whom Japan considers it politic to placate, can be given lucrative appointments.

Here is a plan to Jap-ize Korea on a grand scale, and it will be supported by all the ramifications of Japan's governmental process, including her shipping lines and railways. The scheme looks on the surface like a disguised revival of the Nagamori land project,³ which the indignation of Koreans caused the Japanese to abandon in 1905. It is proposed to develop unoccupied lands in Korea by the introduction there of Japanese farmers, and also to purchase improved agricultural lands for occupation by Japanese settlers. On its face it appears that such a corporation as the Oriental Colonization Company might be of great help in developing agriculture in Korea, but friends of the Koreans fear that its practical operation may result in great hardship to the poorer class of Korean land owners by eventually causing them to lose their farms without adequate compensation.

This fear is not chimerical. Since the Japanese occupation many petty Japanese private banks have begun to operate in Korea, whose chief business is to lend upon real property at usurious interest, often as high as three per cent. a month. Few Koreans have much business acumen, and the average Korean readily will borrow to meet needs or fancies of the moment; with a result that thousands of them already are in the grasp of Japanese money lenders. Koreans have been used to lax business methods, and usually expect to be able to renew their notes until prepared to liquidate them; but the policy of Japanese

³ This project is described in the author's *The New Far East*.

has in many cases been, especially when a desirable piece of property is involved, promptly to foreclose. In this way thousands of Koreans, particularly away from the cities and larger towns, have lost their farms and often their personal property as well. This often is caused by ignorance and lack of foresight; but such knowledge and foresight does not now generally exist among Koreans, who fall easy prey to unscrupulous money lenders, especially when the latter are indirectly supported by the Japanese administration. The operation of the Oriental Colonization Company will, therefore, be watched with some anxiety by friends of the Korean people. Japan now hardly takes the trouble to disguise her intention to convert Korea into a Japanese colony; indeed, a prominent Japanese official recently made a comparison between the Koreans and the Ainu aborigines of Japan, intimating that the native population of Korea may have to make way for the superior Japanese. Since Korea offers no special attractions even to Japanese immigrants under ordinary conditions, and they cannot be induced to come in large numbers except by promises of betterment, the Oriental Colonization Company will be compelled to establish conditions favorable to Japanese colonists, and with conditions in Korea as they are it is not apparent how this can be done except by making the situation of Koreans relatively inferior.

That the situation of Koreans in their native land today is comparatively inferior to that of Japanese cannot be doubted by any investigator who escapes from the leading strings of the Residency and opens his mind to the reverse of the picture. I cannot think of a better illustration of this general condition than that which is afforded by a daily scene at the railway station in Seoul. Just outside the station is a stand for 'ricksha coolies. The

observer whose eyes are open to such evidences could note, when I was last in Seoul, that only Japanese 'ricksha coolies occupied this convenient stand. Some distance off, across a space which is either very dusty or muddy as the case may be, is another line of 'ricksha coolies, all Koreans. The Korean coolies are not permitted to come nearer, and to get a fare they must either wait until all the Japanese 'rickshas are taken or depend upon persons who will take the trouble to cross over to them. The fact that this petty discrimination does not, in this instance, prevent the Korean coolies from earning a living is because Koreans and Europeans who are familiar with the circumstances usually give them preference over the Japanese, even at some inconvenience to themselves. I saw an American missionary walk some distance in the mud rather than enter a Japanese 'ricksha, which is a western way of expressing sympathy with any man who is not given fair play. That all Koreans do not now feel this form of discrimination is only because the comparatively small number of Japanese in Korea reduces this kind of competition to a negligible quantity.

Of the insurrection, which has now been dragging along for nearly two years, one hears little outside of Korea, and not much even in Seoul. About the only reminders of it there are an occasional "volunteer" appeal posted by night in the city, and daily brief reports of collisions between Japanese gendarmes and troops and the insurgents which are printed in the official gazettes. It is positively known, however, that some districts have been almost devastated, scores of villages having been obliterated, and hundreds of noncombatants killed and wounded. Koreans who are peacefully inclined, who are a great majority, are caught between two fires: they cannot safely refuse supplies to the insurgents, and if they give them they

are summarily punished by the Japanese. Some villages have been twice destroyed, once by the insurgents and again by Japanese. An unofficial compilation based upon reports issued by the Residency shows that since the insurrection started the number of Koreans who have fallen exceeds the total casualty list of both sides in the Spanish-American war. Apparently the insurrection has as much vitality as when it began, and the so-called "volunteers" continue to fight bravely notwithstanding lack of arms and supplies. In so far as any alteration of the situation could be observed when I was in Korea, the movement was gaining rather than losing strength.

In some of its aspects this hopeless struggle has features which command respect, although that it never can accomplish the hoped-for restoration of Korea's independence is evident. That Korea is not entirely without patriots, even though they be mistaken ones, is shown by the assassination of D. W. Stevens at San Francisco. Stevens' nominal position at the time of his death was foreign adviser to the Korean Government. His real position was that of legal adviser to the Japanese Government, a place he held for many years. When Japan seized the reins of power in Korea, Stevens was brought there and established as foreign adviser of Korea, where his job, to put it flatly, was to advise the Korean ministry and Emperor to do whatever the Japanese Residency wanted them to do. By Stevens' "advice" were drafted and signed the series of agreements by which Korean independence was abrogated. Rightly or wrongly, Koreans regarded Stevens as the arch-destroyer of Korean liberty, and it is safe to say that his death gave general satisfaction to them. For months before he left Korea the last time Stevens went armed, usually was attended by a Japanese guard, and during the disorders of 1907 in Seoul he sought refuge at

the Japanese club. This in itself conveys an impression of the position and policy of Japan in Korea. I was in Seoul when Stevens was assassinated, and there, where he had helped to deprive millions of Koreans of their national birthright and where daily scores were falling in a fruitless struggle to regain it, Stevens' tragic death somehow did not seem so terrible as it may have in America. It was intimated at the time that evidence of complicity of some Korean officials in the assassination of Stevens had been obtained, which caused an old foreign resident to remark:

"I suppose we will soon hear of more 'suicides,'" emphasizing the last word. It may be remembered that at the time when suzerainty was promulgated, in 1905, some Korean officials who supported the Emperor in his refusal to sign the agreement were reported to have committed suicide.

To-day the situation of the Korean court would be ludicrous if it was not pathetic. The Retired Emperor is actually a prisoner between four walls and constantly guarded by Japanese gendarmes. His son, the present Emperor, is permitted to visit his father only once every month or two, when father and son are allowed to remain together for an hour in the presence of Japanese officials. The present Emperor cannot leave his palace without permission of the Residency, or receive any visitors. Even at public functions he is not permitted to converse with anyone except in the presence of a Japanese official.

The situation of members of the Korean cabinet is almost the same. They can perform absolutely no administration acts except as they are "advised" to do by the Japanese vice ministers, and on the rare occasions when they go out each is accompanied by a guard of four Japanese gendarmes, who never let the minister out of

sight. At a Korean Christian wedding which occurred when I was last in Seoul, and which was attended by several Korean officials, the lobby of the church resembled the ante-room of a Japanese barracks. At Imperial garden parties Japanese soldiers with rifles are stationed about the palace grounds. The Residency states that these precautions are necessary to protect the Emperor and his cabinet from assassination by Koreans. What a condition! High Korean officials and the Emperor were in no danger from Koreans under the old regime.

Nothing well could be wider of the mark than comparisons so frequently made by special pleaders of Japan's administration in Korea to America's policy in the Philippines. In every essential respect the two propositions differ; indeed, no just comparison is possible, and that attempts to do so have not called forth indignant repudiation in America shows how little the real situation in Korea is understood there. Having recently investigated conditions in the Philippines, I have no hesitation in asserting that the Philippine Government to-day is, in all important and essential factors which are inseparable from liberal institutions, in advance of the Government of Japan, and Japan's administration of Korea is fifty years behind that exercised at home.

One hardly can quit discussion of conditions in Korea without some mention of Christian missionaries. Mission work in Korea has had greater success than in any Oriental country, and there now are from 300,000 to 400,000 professed Korean converts. There is considerable friction between the Japanese administration and the foreign missionaries, who from a favorable attitude toward Japan in the beginning have changed to one of latent hostility. The chief reason is that many missionaries believe that Koreans are being mistreated by Japanese, and they

sympathize with the Koreans. On the other hand, the Residency is disposed to accuse some missionaries of political activity calculated to embarrass Japan. It is known that many Koreans have lately become Christians, and it is assumed that some have taken this step in order to get partially under foreign protection. Missionaries recognize this disposition, and the causes for it, but assert that they endeavor to exclude converts who apply from political motives. As yet there has been no direct collision between the Residency and the missionaries, but one may come. Prince Ito has unofficially stated that, while he welcomes the presence in Korea of Christian missionaries, who are largely responsible for such modern education as Koreans have heretofore obtained, if they meddle in politics or get in the way of Japan's policy they will have to go.

On the whole, the condition of Korea cannot truthfully be described except as deplorable. When the so-called reforms which have been instituted by Japan are analyzed in respect to their results as distinguished from their pretensions (which is the test by which all policies must in the end be judged), it will be found that almost without exception they were designed to and have had the effect of giving to Japanese in Korea some special advantage. Several already are paying dividends to Japanese owners. The busy West may care nothing about the political status of Korea, and little about the condition of Koreans. While there is no probability of agitation bringing about an alteration of Korea's general relations to Japan, it may be that some form of external pressure, through the pity and indignation of the civilized world, is all that can prevent the complete subjugation and exploitation by Japan of the Korean people.

TYPICAL LANDSCAPE IN KOREA.



CHAPTER XII

THE OPEN DOOR IN KOREA

A PAT EXAMPLE — UNIQUE POSITION OF AMERICAN INTERESTS IN KOREA — THE POLICY OF JAPAN — ELIMINATION OF PSEUDO-POLITICAL INTERESTS — ASSURANCES TO THE UNITED STATES — SEVERANCE OF FOREIGN DIPLOMATIC RELATIONS WITH KOREA — JAPAN'S WAR UPON FOREIGN INTERESTS — THE FIGHT ON COLLBRAN & BOSTICK — UNDERHAND METHODS — PERSECUTION OF AMERICAN FIRM — THE "KAPISAN" CASE — DISCRIMINATION AGAINST FOREIGN INTERESTS AND TRADE — USES OF THE RAILWAYS — THE "OPEN DOOR" A FARCE — REMAINING OBSTACLES TO COMPLETE ANNEXATION — KOREA A JAPANESE PRESERVE.

IN Korea one finds a pat example of Japan's real attitude toward the principle of the "open door." When, early in 1904, she occupied the country under excuse of temporary military necessity, Korea was an independent nation. Accepting Japan's assurances that foreign interests would be safeguarded, the interested powers obligingly acceded to gradual assumption by her of absolute sovereignty. Here, then, Japan has had a free hand; and the broader intent of her political and commercial policy may be judged by its effects.

While development of foreign interests in Korea progressed along much the same lines as in other Oriental countries, which means that commercial and industrial enterprise was frequently used as a cloak for political designs, it has been rather noteworthy for providing a striking exception of the success of legitimate enter-

prise. In one respect Korea is unique. It is the only eastern country that I know of where American enterprise predominates among purely foreign activities, and it is gratifying to be able to state that in Korea American interests have in the past enjoyed no special advantages, and have made way on their merits. Dr. H. N. Allen, who for so many years was American minister to Korea, exerted himself to promote legitimate enterprises of his nationals, and, owing to confidence reposed in him by the former Emperor, with marked success. The first railroad in Korea, the principal mining industries, the Seoul electric railways, electric lighting plant, water works and telephone system are all monuments to American enterprise, which undertook these matters when their profitable operation was problematical. Many Americans have contributed to the modern development of Korea, but undoubtedly the more enterprising and important is the firm of Collbran & Bostick, which operates the Seoul street railways, lighting, water works and telephones, and which has large mining interests.

It surprised no one that Japan, when she took control of Korea, sought to eliminate those foreign enterprises and concessions which obviously had been political moves in disguise, and which might be considered obstacles to her administration. As not a single American interest in Korea ever belonged in this category, they did not anticipate difficulty. When I was in Korea in 1905, Americans were not uneasy about Japan's permanent acquisition of the country, which was even then perceived to be coming, although the fiction of Korean independence was outwardly preserved. They had been assured, and the United States Government also was assured, that Japan would treat American interests equitably, and would pursue a policy of encouragement and support with a view

to inducing other legitimate foreign investments. Indeed, this seemed so reasonable and likely to benefit all interests in the country that even astute men were warranted in believing it. It is evident that the Washington Government was then convinced of Japan's good intentions, for it readily acceded to her wishes, recalled Dr. Allen, and soon after abolished its legation altogether, agreeing to thereafter conduct all diplomatic negotiations with Korea through the Tokyo Foreign Office.

As soon, however, as Japan had practically isolated foreigners in Korea by severing their direct diplomatic relations with the Korean Government, and substituting in their stead relations with Japan, the Japanese administration in Korea began to harry foreign interests, including American. Collbran & Bostick, being the largest and most influential foreign firm, was made the chief object of attack; and the details of its fight for its rights are interesting from an American point of view, and also illuminate Japan's policy in regard to foreign interests in general.

Japanese, like most Orientals, rarely pursue a direct method, and their attempt to get Collbran & Bostick out of Korea first took the form of a proposition to purchase its interests. Collbran & Bostick was not anxious to sell, having labored for years to establish itself and having several promising new enterprises under way; but the firm named a price, which Japan declined to give. Some of those who were privy to this proposition thought at the time that the American firm asked too much for its interests, but a Japanese official in Seoul recently told an American official that he is sorry that Japan refused the offer. At that time, however, Japan had little doubt of her ability to induce Collbran & Bostick to in time be more reasonable; and a policy of hindrance and obstruction was

inaugurated. This obstructive policy usually assumed indirect and surreptitious shapes, but upon occasion it took direct form.

One of the last acts of the Korean Government before occupation of the country by the Japanese army was to grant a mining concession under the then existing regulations to Collbran & Bostick. The conditions, which were those which governed other similar grants, gave the American firm a right to locate any unoccupied mining district and to work it, paying the government royalty of 25 per cent. of the profits. This concession, which was approved by the Emperor in conjunction with other matters involving the same parties, was duly signed, sealed and recorded at the American legation. The grant contained a clause requiring that the claim be located within a specified time, and providing that no other similar concession be granted before Collbran & Bostick had located its claim.

A few days after this concession was registered Japanese troops occupied Seoul without any previous notice, and from that day the Japanese have ruled the country. Japanese military regulations prevented Collbran & Bostick from at once prospecting and locating its claim, although there were no serious hostilities in Korea after the first few weeks. Immediately after the conclusion of peace, Collbran & Bostick prepared to locate its concession, but Japanese authorities refused to issue a passport to the firm's expert to travel in the interior. Although no foreigners had been permitted to travel in the country, Japanese engineers had thoroughly prospected the entire unoccupied mining region, and had located every promising claim they could find. Finally the engineer of the American firm managed, by wearing Korean clothing, to reach the desired district and located a claim for Collbran & Bostick. In October, 1905, due notice of

the location of the concession was filed at the American legation in Seoul.

When the location of the district came before the Korean Government for final confirmation the Japanese regime was firmly in control of the country, and the Korean Emperor was virtually a prisoner in his palace. An American, D. W. Stevens, who was for years employed as a legal adviser by the Japanese Government, had been brought to Korea and made the adviser of the Korean Government on foreign affairs; where, owing to his nationality, he made a convenient cloak for Japan's assault upon foreign interests. It may be well to state that ever since Japanese occupation the Korean and Japanese governments have been identical in so far as foreign affairs are concerned, although the fiction of local severance was until recently preserved, and I will hereafter in mentioning the Korean Government name the real sovereign — Japan. Acting upon the advice of Mr. Stevens (who was no doubt instructed from Tokyo to give it), the Government refused to confirm the concession of Collbran & Bostick on the following grounds:

1. That the district had already been located by Japanese.
2. That the Korean Household seals attached to the concession were not legally sufficient.
3. That the Council of State had not formally approved the concession.

This compelled a representative of Collbran & Bostick to go to Tokyo (the American legation at Seoul having been abolished) and urge its claim through the American ambassador to Japan, thus transferring, as the Japanese had foreseen, the matter to the hands of persons not fa-

miliar with conditions in Korea or the history of this particular grant.

Then began a struggle by Collbran & Bostick to secure its rights, which is not yet terminated. I met Mr. Henry Collbran, the head of the firm, in Japan at the time when he first went there to defend its position, and I have followed the contest since. In trying to support its position the Japanese Government resorted to innumerable petty methods, some of which properly may be called despicable. It transferred the fight to Washington. Japan's secret service men in America and England were employed to scrutinize the past of Messrs. Collbran and Bostick to discover, if possible, something injurious to their character which might be used against them in this matter. Employes of the Japanese legation at Washington circulated reports, taking pains that they would reach the State Department, that Messrs. Collbran and Bostick are adventurers who managed by fraudulent means to get some valuable concessions in Korea, and which they are now trying to blackmail the Japanese into purchasing at an exorbitant price. Japanese officials intimated to American officials in Korea that the Imperial seals affixed to the document granting the concession were stolen and illegally used. Such were the means employed to prejudice Collbran & Bostick's case at Washington, and in the western press.

Officially the Japanese administration in Korea, and the Tokyo Foreign Office, outwardly relied upon technical points to defeat the American claim. It was alleged that a Japanese had previously located the same district, but upon it being shown that this claim was not registered until November, 1905, or after notice of the location of the American claim was formally given, this pretense was abandoned. In the end, as point after point gave

way under scrutiny, the Japanese administration fell back upon the contention that Collbran & Bostick's concession was improperly obtained from the Korean Emperor. It was alleged that the concession was promulgated just prior to the Russo-Japanese war, when the timid and frightened Emperor was induced to assent by political representations. It is true that the concession was granted just a few days before hostilities between Japan and Russia began, and it is also true that the interested parties, anticipating a period of disorder, made all haste to close the matter before the storm broke; which is evidence of business precaution. But there is nothing to prove that political influence was used to induce the Korean Emperor to assent; indeed, it is hard to understand what political pressure could have been employed. The Emperor had had relations with Collbran & Bostick for years, was personally interested in some of its enterprises, and this particular concession had been discussed many times before. The Japanese contention that the documents were improperly or fraudulently sealed seems absolutely to be destitute of foundation, and is a part of the campaign of innuendo.

The grounds for refusing to confirm this concession are so artificial and flimsy that the case would perhaps long ago have been decided in favor of the American claimants had not Japan adopted a policy of trying to exhaust them by delay. In this she was favored by circumstances, especially by repeated shifts in American consular representation at Seoul. Each new consul had to take up the case from the beginning in order to become familiar with it, and this is no easy task, for by now the official documents, reports and correspondence would fill a large volume. The expense of the three year fight to Collbran & Bostick has already been nearly \$30,000.00.

The firm was crippled in other ways. Soon after the concession was granted, Collbran & Bostick, not feeling able to entirely finance the project by itself, entered into a contract with a British syndicate by which the latter agreed, in consideration of a half interest in the property, to advance, upon receipt of a favorable report from an expert, \$500,000.00 for the purpose of developing the mines and building a milling plant. Japan contended that this contract constituted a transfer of the concession to British nationals, and the State Department at Washington was disposed to adopt this view. This compelled Collbran & Bostick to cancel its contract (which could have no effect until the concession was confirmed, and then only on a certain specified contingency), which they succeeded in doing at a considerable loss. It now appears that this pluck and persistence will succeed, for the Japanese Government has intimated that the concession will be confirmed. Even in this tardy act of justice it wants Collbran & Bostick to accept the concession under the new mining regulations which Japan has promulgated, which the firm is not inclined to do; but these regulations will be considered later.

Not satisfied with obstructing the confirmation of this mining concession, the Japanese have encroached upon the interests of Collbran & Bostick in other ways. The American firm owns the Seoul telephone franchise, now eighteen years old. Several years ago the Japanese legation in Seoul put in a private telephone system connecting its various departments. A protest was made by Collbran & Bostick, whereupon the Japanese minister replied that the system was for private official use only, and that it would not be extended. When the Japanese seized Korea a settlement was laid out inside Seoul, surrounding the Japanese residency, and recently the legation telephone

system has been extended and made a public service, which now has over 1,000 subscribers. Collbran & Bostick, in protesting against this infringement upon its franchise, has offered to purchase the Japanese system at a fair valuation and waive all damages in order to adjust the matter, but so far no satisfaction has been obtained, while the Japanese system continues its public service. In recently replying to an official representation about this matter, the Japanese Residency advanced the argument that "Chin-ko-gai," as the Japanese section of Seoul is called, is not properly a part of the city; a puerile subterfuge, since it is entirely located inside the wall and near the heart of the town.

The "Kapisan" case, as the Collbran & Bostick mining concession is named, is watched with intense interest by all foreigners in Korea, and by persons who have investments there; for it is regarded as a test in many ways. No other foreign interest is so powerful in wealth and influence; the position of the American firm is regarded as being peculiarly meritorious and clear; it is believed that the United States will at present go farther in pressing Japan than any other power, and that Japan will yield more to that nation. So foreigners in Korea feel that should Collbran & Bostick lose it will be the death knell of foreign interests in the country, and that it will be but a short time before all are forced to sell out to Japanese at a disadvantage, or see their property decline under invidious discrimination.

This feeling is not sentiment, but is founded upon hundreds of instances which have occurred under the Japanese regime. It is recognized that few men would have displayed the spirit of Messrs. Collbran and Bostick, or could have for so long survived such an unequal contest. It is believed by foreigners in Korea that the firm would have

abandoned the struggle long ago, and sold out to the Japanese, had not its honor been impugned at Washington. The firm let it be known that under no circumstances will it sell out its interests in Korea before all its claims have been fully and unequivocally recognized, thus making it impossible for it to be charged effectively with having blackmailed the Japanese Government into purchasing a lot of worthless mining claims. It should be kept in mind that the "Kapisan" property is as yet little more than a promising prospect; it is not yet a mine, and its owners do not claim that it is; so, in a measure, they have made their expensive fight for principle, fully appreciating that the money may never be recovered. Many foreigners in Korea think, however, that it will not be possible for Collbran & Bostick to continue to do a profitable business in Korea after having antagonized the Japanese Residency. The firm's presence will be a continual reminder to Koreans that Japan is not omnipotent, and it is predicted that the Japanese will never rest until it is gotten out of the country. When one considers the means for annoyance and obstruction which Japan can command, and which she has employed in similar cases, from police interference to browbeating Korean employes of foreign concerns, it seems probable that these fears may be realized. Japanese financial interests tried in vain to obstruct the capitalization of Collbran & Bostick's Seoul water works and cause the franchise to lapse.

As examples of Japan's policy of excluding other foreigners from participating in the development of Korea may be cited the new mining and forestry regulations. On their face these regulations are not objectionable, but each contains a "joker" designed to place concessionaries under the thumb of the Residency. The new mining regulations change the royalty to the government from 25

per cent. of net profits to 1 per cent. of the gross output, which is an apparent reduction; but there is a clause under which a special land tax may be imposed, thus opening a way to "milk" any property for all it can stand. In the forestry regulations is a clause giving the minister of agriculture authority to "for the public good" cancel any concession and confiscate the property, and there is no appeal from his decision. Furthermore, the Government is not legally responsible for acts of this minister, which means that dispossessed concessionaries have no legal redress.

The history of the famous "Su-an syndicate," and other foreign enterprises in Korea which have been involved in Japanese administrative tangles, is interesting; but examples already given must serve. An important factor in advancing Japanese in contradistinction to other foreign interests in Korea is the railways, which are now all owned by the Japanese Government and are, consequently, a part of the governmental business system. Foreign business firms in Korea complain that Japanese firms obtain transportation rebates which are equivalent to a remission of import duties, and while these assertions cannot definitely be proven, there is much circumstantial evidence to sustain them. Such a proceeding is in harmony with Japan's policy elsewhere. The revised railway rate schedules, which went into effect April 1, 1908, are clearly designed to build up Fusan at the expense of Chemul-po, which means practical control over Korean imports by Japanese firms and transportation companies. Foreigners are also handicapped by an elaborate system of espionage, which has gone so far as to open and retard, often to stop altogether private correspondence and telegrams. Even consular mail bags have been opened. In the room which I occupied when last in Seoul Japanese

secret service men searched, in his absence, the personal effects of Douglas Story, an English correspondent, in a vain attempt to find an important communication which had been sent to him by the deposed Emperor. I was afraid to entrust my correspondence to the post, and sent it to be mailed outside of Korea by a friend. This is the situation of foreigners in Korea under the administration of Japan. Yet the western world not only regards the condition with seeming indifference; it has from time to time applauded Japan in her so-called efforts to civilize that country. Japanese are frequently heard to refer to other foreigners in Korea as "foreign adventurers." What, I wonder, considering the way Japanese are exploiting the country, would they call themselves?

Political Korea is doomed, is indeed already perished; but there remain some minor bulwarks behind which advocates of the "open door" may still make a stand. One of these is extra-territoriality, another is the Korean treaties with other nations which guarantee most favored nation treatment. Until these treaties are abrogated the conventional tariff schedule cannot be altered without the consent of interested powers. These are two limitations upon Japan's authority in Korea, and she is preparing to ask the powers to consent to their abolition. At present other foreigners are not legally under Japanese control, but have the same status as in China, and the conventional tariff is the only obstacle which now prevents Japan from applying her new protective tariff to Korea.

It is believed in Korea that the real mission of D. W. Stevens to America, which resulted in his death, was to try to gain the consent of the United States to removal of extra-territoriality and the inclusion of Korea in Japan's

fiscal entity. This accomplished, and acceded to by other treaty powers, the complete annexation of Korea to Japan will be accomplished.

In this connection the recently signed arbitration treaty between Japan and the United States, which contains a mutual agreement for the protection of trade-marks in Korea, applies to the situation of American interests there. Reports of the contents of this treaty which have been published intimate that the United States has agreed to the abolition of extra-territoriality in Korea to the extent of permitting all trade-mark disputes in which Americans are concerned to be tried in the Korean (Japanese) courts. Under extra-territoriality, if an American is defendant in such an action he can defend himself in the American consular court. American firms which do business in Korea fear that this alleged provision of the treaty will work to their injury. The only trade-mark piracy in Korea which amounts to anything is practiced by Japanese, even the Japanese Government being tainted with this abuse. Under extra-territoriality an American complainant against piracy of trade-marks could get little satisfaction in Japanese courts when Japanese were involved as defendants (no more can they in Japan), but they felt secure in the court of their own nationality. If the Japanese courts are now to take jurisdiction of such issues, Americans may find themselves in the position of being prosecuted for using their own trade-marks, especially if the principle of priority of registration, as is the usage in Japan, instead of priority of use, is enforced in Korea. Publication of the exact text of this treaty, which waits formal ratification by both nations, will be interesting to American firms which do business in Korea, where it has not heretofore been possible, as has occurred to foreigners

in Japan, for Japanese to pirate a foreign trade-mark and then enjoin its original owners from using it.

The plain truth is that as rapidly as circumstances will permit Japan is turning Korea, as she already has done with Formosa, into a Japanese commercial and industrial closed preserve; indeed, it is hardly more than this now. To pretend that the "open door" obtains there is sheer nonsense. In regard to foreign investments in Korea, prospective investors should know what they may expect. No prudent man will purchase a law-suit. Any new foreign investments in Korea will almost certainly soon find themselves involved with the Japanese administration, and be compelled to resort to their national representatives at Tokyo for assistance. Under these circumstances foreign capital will hesitate to enter Korea, and exploitation of Japan's preserve will be left to Japanese, which seems to be what her statesmen desire, although it may strike many people as short-sighted policy. As to those foreign interests which are already there, bare justice requires that if their position cannot be made permanently tenable, their governments will aid them to get out with a minimum of loss.

CHAPTER XIII

THE BALKANS OF THE EAST

MANCHURIA A DANGER SPOT — COURSE OF RECENT EVENTS THERE — THE TERMINATION OF HOSTILITIES — VARIOUS POLITICAL ENTITIES INVOLVED — RUSSIA, JAPAN AND CHINA — CHAOTIC CONDITIONS — RUSSIA'S POSITION — HER "SPHERE" THE LARGER — JAPAN'S POSITION MORE SIGNIFICANT — REASONS FOR THIS ANALYZED — JAPAN AND CHINA — THE YUAN-KOMURA AGREEMENT — THE SUPPLEMENTARY ARTICLES — ANTECEDENTS OF THIS TREATY — THE STATUS OF JAPAN — "POLICE" AND "RAILWAY GUARDS" — OCCUPATION OF THE COUNTRY.

MANCHURIA to-day is to the Far East what the Balkan states have for so long been to Europe. This salubrious and fertile region, with an area equal to that of France and Germany combined, is the focus of great political ambitions and designs; and here the issues which may cause another international conflict of vast proportions are again moving toward a culmination.

When in August, 1905, Russia and Japan, in the treaty of peace ratified by them, mutually engaged "To evacuate completely and simultaneously Manchuria, except the territory affected by the lease of the Liao-tung peninsula," and "To restore entirely and completely to the *exclusive* administration of China all the portions of Manchuria now in occupation or under the control of Russian or Japanese troops," there was a disposition throughout the world to regard these assurances as affording a basis for satisfactory solution of the vexed

questions involved. In some quarters the fact that eighteen months from the signing of the treaty was fixed as the maximum time limit within which the restoration of Manchuria to China was to be completed gave rise to misgivings; but these were smothered in general rejoicing over the termination of hostilities, especially as the two governments pledged themselves to reduce the period of readjustment if it proved to be practicable.

Other nations interested in the future of the Far East were at that time apparently disposed, at least in respect to diplomatic attitude, not to be over-exacting about developments in those regions during the interval, but rather to await its termination before taking decisive steps in their own or China's behalf. Nevertheless, the feeling of security so widespread in the West when peace was made has gradually been undermined by the course of events in Manchuria and Korea since then, and is now replaced by an uncertainty tainted by uneasiness. Realization that peace between Russia and Japan does not necessarily mean an adjustment of the situation in Eastern Asia that will satisfy a majority of western powers is growing among those in touch with events and policies. This is none the less true because of the somewhat ominous reticence in diplomatic circles which followed the war, and that public attention, beguiled into temporary repose, was for a time diverted.

Since the war ended Manchuria has witnessed the direct application, in some measure, of three distinct political entities; each animated by widely differing purposes, yet compelled by circumstances temporarily to compromise their antagonisms, and to pretend a harmony which none of them feels. These are China, Russia and Japan: China being the recognized sovereign of the country, feebly attempting to resume her governmental functions,

while Russia and Japan are at present the actual sovereigns, basing their authority upon military occupation. Only semi-chaotic conditions could prevail under such circumstances; but efforts of the three nations each to have its own way and secure to itself the greater advantage have developed much of significance; and other interested nations, while abstaining from action likely to annoy or embarrass the recent belligerents, have been keenly alive to what is going on. This is necessary vigilance, as it is only by accurate knowledge of the real situation, and the designs centering here, that intelligent action is possible when time for action comes. For it is not to be anticipated that civilization will indefinitely tolerate a condition so widely detrimental to general interests and so teeming with causes for international friction.

So numerous, complex and diverse are the elements through which order and stability are endeavoring to push their way in this uneasy country that only a comprehensive review of existing conditions, and the conflicting forces at work, can throw light on the subject. Of the territory of Manchuria proper, Russia now occupies approximately two-thirds, embracing the region drained by the Sungari and Amur and the more important tributaries of these great rivers. While this part of the country is not now so thickly populated or as thoroughly cultivated as is the valley of the Liao, it is believed to possess greater potentialities for development. If one assumes that the present zones of occupation will represent a permanent division of Manchuria between Russia and Japan, there is no doubt that Russia has much the better of the bargain, considering only the natural resources of the country. Beside Manchuria, nearly the whole of eastern Mongolia is now practically occupied, though not so specifically, by Russia. Here again Russia's position

is better than that of her rival, as Japan's influence extends over only a small corner of Mongolia lying adjacent to southern Manchuria, while Russia's sphere embraces nearly half of the entire domain of China's great northern possession.

Notwithstanding that Japan's present control of Chinese territory is decidedly inferior geographically, compared to regions under Russian control and influence, there are circumstances which give Japan's position greater international significance. Chief of these is the present superior military and naval potency of Japan in this part of the world. Then conditions are such that Japan's immediate policy will be, to a large extent, a powerful factor in determining the course of other powers. It is clear that should Russia, after extreme attenuation of the evacuation interval, show a disposition to hold to what she has, she will find it exceedingly difficult to maintain such a position before the powers and Japan, in the face of a complete and candid fulfillment of Japan's promises. On the other hand, should Japan hold to what she has gained, a similar attitude by Russia would substantially be justified and her position become practically impregnable. Thus in respect to these two nations the key to the situation now rests with Japan, and gives to her policy and actions the greater immediate possibilities in influencing the destiny of Manchuria, and the future of the whole Far Eastern Question so inevitably involved herein.

The fundamental proposition here indicated gives to the actions of Japan in Manchuria and eastern Asia a greater importance and interest, for the time, than is attached to those of Russia. Besides, a deep distrust of Russia's designs in this part of the world, and a suspicion of her diplomatic assurances so strong, in the western popular mind, as to deprive them of power to beguile,

insures that her actions will be closely scrutinized. What is not fully appreciated in America is that there is little difference between the theory and working method of a western diplomacy deeply grafted with Orientalism, and an eastern diplomacy which has recently found it convenient and necessary to adopt western forms. I think that among more important nations Russia and Japan, in their diplomatic methods and general foreign policy, are more nearly alike than any other two powers. And a compromise of their differences in eastern Asia, by mutual concessions, is not so unlikely as some imagine it to be. If such a compromise should take the shape of an agreement to retain their present hold on Manchuria and Mongolia, it is unlikely that the world will be taken into their confidence, but will be left to learn the fact from the analogy of events. I will, therefore, in attempting to depict conditions in eastern Asia from the termination of hostilities to the present time, give to Japan the priority which her position demands, realizing that an elucidation of her policy and actions also will touch and illuminate all the principal interests concerned.

In addition to the treaty of peace with Russia the present relations of Japan to Manchuria are presumably circumscribed by a treaty defining certain relations between Japan and China, which was signed at Peking on December 22, 1905,¹ and subsequently ratified. As this document forms the diplomatic basis for solution of the complex relations now existing between China and Japan, it is reproduced here, with the supplementary agreement, omitting the preamble.

Article I — The Imperial Chinese Government consent to all transfers and assignments made by Russia

¹ Appendix C.

to Japan by articles V and VI of the treaty of peace.

Article II — The Imperial Japanese Government engage that in regard to the leased territory as well as in the matter of railway construction and exploitation, it will, so far as circumstances permit, conform to the original agreements concluded between China and Russia. In case any question arises in the future on these subjects, the Japanese Government will decide it in consultation with the Chinese Government.

Article III — The present treaty shall come into force from the date of signature. It shall be ratified by their majesties the Emperor of Japan and the Emperor of China, and the ratifications shall be exchanged at Peking as soon as possible, and not later than two months from the present date.

In witness whereof, etc.

(Signed.)

SUPPLEMENTARY AGREEMENT

Article 1 :— The Imperial Chinese Government agree that as soon as possible after the evacuation of Manchuria by the Japanese and Russian forces, the following cities and towns in Manchuria will be opened by China herself as places of international residence and trade:— Shingking Province — Fengwangcheng, Liao-yang, Hsin-mintun, Tieling, Tungkiangtzu and Fakumen; Kirin Province — Changchun, Kirin, Harbin, Ninguta, Hun-chun and Sansing; Heilungkiang Province — Tsitsihar, Hailar, Aihun and Manchuli.

Article 2 :— In view of the earnest desire of the Imperial Chinese Government to have the Japanese and Russian troops and railway guards in Manchuria withdrawn as soon as possible, and in order to meet this desire, the Imperial Japanese Government, in the event of

Russia agreeing to the withdrawal of her railway guards, or in case other proper measures are agreed between China and Russia, consent to take similar steps accordingly. When tranquillity shall have been re-established in Manchuria, and China shall have become herself capable of affording full protection to the lives and property of foreigners, Japan will withdraw her railway guards simultaneously with Russia.

Article 3:—The Imperial Japanese Government, immediately upon the withdrawal of their troops from any region in Manchuria, shall notify the Chinese Government of the regions thus evacuated, and even within the period stipulated for the withdrawal of troops in the additional articles of the treaty of peace between Japan and Russia, the Chinese Government may send necessary troops to the evacuated regions of which they have already been notified as above mentioned, for the purpose of maintaining order and tranquillity in those regions. If, in the regions from which Japanese troops have not yet been withdrawn, any villages are disturbed or damaged by native bandits, the Chinese local authorities may also dispatch a suitable military force for the purpose of capturing or dispersing those bandits. Such troops, however, shall not proceed within 20 Chinese *li* from the boundary of the territory where Japanese troops are stationed.

Article 4:—The Imperial Government of Japan engage that Chinese public and private property in Manchuria, which they have occupied or expropriated on account of military necessity, shall be restored at the time the Japanese troops are withdrawn from Manchuria, and that such property as is no longer required for military purposes shall be restored even before such withdrawal.

Article 5:—The Imperial Chinese Government en-

gage to take all necessary measures to protect fully and completely the grounds in Manchuria where the tombs and monuments of Japanese officers and soldiers who were killed in the war are located.

Article 6:—The Imperial Chinese Government agree that Japan has the right to maintain and work the military railway line constructed between Antung and Moukden, and to improve said line so as to make it fit for the conveyance of commercial and industrial goods of all nations. The term for which such right is conceded is for fifteen years from the date of the completion of the improvements above provided for, the work of such improvements to be completed within two years, exclusive of a period of twelve months during which work will have to be delayed owing to the necessity of using the existing road for the withdrawal of troops. The term of this concession is therefore to expire in the 49th year of Kuang Hsu (1923). At the expiration of that term, the said railway shall be sold to China at a price to be determined by appraisement of all its properties by a foreign expert to be selected by both parties. The conveyance by the railway of the troops and munitions of war of the Chinese Government prior to such sale shall be dealt with in accordance of the regulations of the Eastern Chinese Railway. Regarding the manner in which the improvements of the railway are to be affected, it is agreed that the person undertaking the work on behalf of Japan shall consult with a commissioner dispatched for the purpose by China. The Chinese Government will also appoint a commissioner to look after the business relating to the railway as is provided in the agreement relating to the Eastern Chinese Railway. It is further agreed that detailed regulations shall be concluded regarding the tariffs



RAILWAY STATION AT MOUKDEN.



THE RAILWAY STATION, LIAO-YANG, MANCHURIA.

for the carriage by the railway of the public and private goods of China.

Article 7:—The Governments of China and Japan, with a view to promote and facilitate intercourse and traffic, will conclude as soon as possible a separate convention for the regulation of connecting services between the railway lines in South Manchuria and all other railway lines in China.

Article 8:—The Imperial Chinese Government engage that all materials required for the railways in South Manchuria shall be exempt from all duties, taxes and *likin*.

Article 9:—The methods of laying out the Japanese settlement at Yinkow (Newchwang) in the province of Shingking, which has already been opened to trade, and at Antung and Moukden in the same province, which are still unopen although stipulated to be opened, shall be separately arranged and determined by officials of Japan and China.

Article 10:—The Imperial Chinese Government agree that a joint-stock company of forestry, composed of Japanese and Chinese capitalists, shall be organized for the exploitation of the forests in the regions on the right bank of the Yalu river, and that a detailed agreement shall be concluded in which the area and term of the concession, as well as the organization of the company and all regulations concerning the joint work of exploitation, shall be provided for. The Japanese and Chinese shareholders shall share equally in the profits of the undertaking.

Article 11:—The Governments of Japan and China engage that in all that relates to frontier trade between Manchuria and Korea the most favored nation treatment shall be reciprocally extended.

Article 12:—The Governments of Japan and China engage that in all matters dealt with in the treaty signed this day or in the present agreement the most favorable treatment shall be reciprocally extended.

(Signed)

This treaty, in itself, merely records China's assent to those articles of the Russo-Japanese peace treaty by which Russia agrees to turn over to Japan Port Arthur, Dalny and the territory embraced in her lease of the Kwang-tung peninsula, and the Chinese Eastern Railway south of a specified point; and also to the terms for the mutual evacuation by Russia and Japan of Manchuria. Although no outward friction developed at the conferences, it was well known that China acceded to the treaty with great reluctance, especially in the matter of the transfer of the Kwang-tung lease to Japan. China would have preferred to have rescinded this obnoxious lease altogether. She also was dissatisfied with some of the conditions for the evacuation of her provinces in Manchuria. However, she was powerless to resist, and agreed to Japan's proposals. One phrase in the treaty may be specially mentioned. The second article provides that in case any question arises in the future concerning subject matters of the instrument, "the Japanese Government *will decide it* in consultation with the Chinese Government." Here is recognizable the hand which drafted the series of documents by which Japan's suzerainty over Korea, amounting practically to annexation, was established. It can hardly be assumed that this departure from usual phraseology, specifically giving to Japan alone the right to decide upon the interpretation of the treaty, was accidental.

But the working method of the treaty, in so far as it

determined upon details, is embraced in the supplementary articles. It was announced at the time the treaty was promulgated that its chief object was to establish a definite basis for Japan's position in Manchuria, and to provide a way to work out the details of the interval of military occupation. That many important matters not specifically referred to either in the treaty or supplement would require subsequent adjustment was recognized, and these were left to be considered by a future convention, or by regular diplomatic representatives of the two nations. As to the actual operation of the supplementary articles, this may be best illustrated by a description of conditions in Manchuria since the war, which will bring out, in a practical way, all the propositions involved.

For a short time after hostilities terminated, both belligerents maintained the then existing *status quo*, while their military commissioners consulted about details for withdrawal of the armies. Marshal Oyama left Moukden in November, 1905, and returned to Japan. His departure may be said to fix the beginning of the evacuation movement, and the turning point into what may be termed the occupation interval. Marshal Oyama was succeeded by General Oshima, who assumed command of all Japanese elements in Manchuria, under the title of Viceroy. He established headquarters at Liao-yang, and divided the country into districts, each under a military administrator. Soon after Oshima's arrival the movement of troops to Japan was commenced, and continued with reasonable rapidity until by the beginning of summer, 1906, the greater part of the vast army was withdrawn. Just how many were left was not easy to ascertain. While in Manchuria in the summer of 1906, I asked a Japanese officer how many troops Japan then had

there, and he replied: "We have no troops; only police and railway guards." It is amusing how Japanese officials, even in casual conversation, persist in adhering to the phraseology of these mild diplomatic fictions. The "police" and "guards" were then regular soldiers of the Japanese army. But technically, conforming to the language of the treaties, Japan and Russia are not now expected to have troops in Manchuria, so their soldiers are given a different name. Both powers had until March, 1907, to complete the withdrawal of troops; but Japan chose for some time before that date to represent that she had completed the military evacuation, and that such troops as remained were not there in a military capacity.

Under the limitation by the peace treaty to fifteen guards per kilometer of line, Japan has the right to keep not more than fifteen thousand such guards in Manchuria. This estimate, however, includes only the former Russian lines, and the proposed line between Antung and Moukden, with a liberal allowance for spurs and side-tracks. But the Japanese authorities early displayed a disposition to stretch this limit by means of an unexpected complication. During the war, for the uses of the army, a number of what were then regarded as temporary railway lines were laid. These usually were of toy-like dimensions, often too frail for steam locomotion, the cars being pushed by coolies or drawn by animals. Portions of the country were gridironed by these little roads, and after the army was withdrawn many of them continued to be operated, and still are to some extent. Japanese were inclined to include the mileage of these roads in their estimate of the proper number of guards. It is true that prior to the expiration of the occupation interval the presence of a few thousands of Japanese troops,

more or less, was of minor importance; but it is interesting to note the care then taken to create precedents for quibbles when the time for final adjustment comes.

Perhaps the most significant part of the last treaty between China and Japan is embraced in those supplementary articles which deal with the restoration of Chinese political autonomy in Manchuria. It will be noted (Article 3) that Japan agreed, tentatively, to not wait upon final evacuation to begin this restoration; but to make the process gradual, as troops were withdrawn from various localities. A calculated effort, through Japanese news agencies, was made to show that this assurance was carried out, and that even prior to March, 1907, the greater part of Manchuria was administered by China. There is some foundation for this contention, but the information so widely disseminated gives a very imperfect idea of actual conditions and the circumstances which attended them.

CHAPTER XIV

THE EVACUATION PERIOD

DRIFT OF JAPAN'S POLICY IN MANCHURIA — SIGNIFICANCE OF INTERNAL DISSENSIONS IN JAPAN — MILITARY AND CIVIL FACTIONS — CONSIDERATIONS INVOLVED — DIFFERENT OPINIONS, ONE DESIRE — THE FIRST "OPENING" OF MANCHURIA — GENERAL OSHIMA'S ATTITUDE — MARQUIS SAI-ONJI'S VISIT — SHIFT OF JAPANESE HEADQUARTERS — REAL SITUATION AT MOUKDEN — THE VICEROY'S POSITION — HIS EXCELLENCY PRACTICALLY A PRISONER — VISIT OF A FOREIGN OFFICIAL TO MOUKDEN — SITUATION OF CHINESE INHABITANTS — THE SECOND "OPENING" OF MANCHURIA — OPPPOSITION IN JAPAN — TEMPORARY RETIREMENT OF VISCOUNT HAYASHI — PARTIAL RESTORATION OF CHINA'S AUTONOMY — FURTHER NEGOTIATIONS.

To get the drift of Japan's political policy in Manchuria since the war ended, it is necessary to take a passing glance at some incidents of internal politics in Japan. Owing to paucity of news from Japan, and the fact that a considerable part of news from there which is disseminated abroad originates with the Government or correspondents subsidized by it, the western world does not always understand the issues which animate political factions there, or the significance of internal dissensions. When, therefore, soon after the war radical changes in the ministry occurred they caused but little international comment, and it is probable that thousands of well-informed persons have never heard of them. Yet they were a result of long-growing differences between the

military party in Japan and other elements in the national life. These differences, which had been suspended, by common consent, during the continuation of hostilities, again sprang into prominence when victory was assured, and it became necessary to consider plans for the future. Under the circumstances it was natural that military and naval influence would be very strong, but opposition forces soon revived sufficiently to make themselves felt. In respect to issues raised by the settlement of the war a wide, even fundamentally vital schism on a broad question of national policy soon developed. This schism is about Japan's position in Manchuria. Many views are held by prominent statesmen, but, to at once strip the matter to the bone, the issue was drawn on the question of whether Manchuria shall be restored to China.

It may be said that there was practically no divergence of desires in the matter; which means that almost all Japanese earnestly wish to keep the part of Manchuria now held by their Government, and perhaps hope in time to devise a way to do so. But opinions differed widely about the immediate course to pursue. The purely military party wanted flatly to declare, as in the case of Korea, Japan's political and commercial paramountcy in southern Manchuria, trusting to Japan's strong military position and the general unreadiness of most powers which might be disposed to dispute the issue to prevent any decisive opposition. There is little doubt that such a *coup* might have been at least temporarily successful. This is exactly what was done in Korea, and the powers obligingly consented to forget Japan's pre-bellum assurances regarding the independence of that kingdom.

But wiser and more far-seeing Japanese statesmen saw serious difficulties in the way of this plan. The war

had impaired the national finances, and an ability to further borrow in western countries was necessary to any solution of the grave fiscal problems confronting the Government, and resuscitation of its depleted material resources. To throw at once openly international promises to the winds would almost certainly have isolated Japan among the nations, so far as active sympathy is concerned, and seriously crippled her financial credit. Conservative leaders pointed out that a nation cannot progress by war alone, and that Japan had already, for the moment, gone about her limit on that line. This briefly summarizes the main differences in Japanese councils during the year which followed the end of the war, and discussion was none the less active because the outside world heard scarcely anything of it at the time. To have permitted it to become public that the Government was in doubt whether to fulfill its obligations in Manchuria would have at once centered upon it keen international suspicion, which pacific assurances and a moderate course, even if subsequently adopted, would have great difficulty in counteracting. Evidences of the crisis were plentiful at the time in the columns of the Japanese vernacular press, although censorship made such references extremely guarded.

These differences of opinion led, early in 1906, to reorganization of the ministry, and Marquis Saionji became premier. The selection of Saionji seems to have been a compromise between the extreme military and anti-military wings. The extreme military party for the moment was checked, and a moderate course was adopted. Soon after his assumption of office, Marquis Saionji made a visit to Manchuria. Although no attempt was made to conceal the fact of his trip (which would have been impossible), it was "unofficial," as Japanese put it, and no

prominence was given it in foreign news dispatches. While the premier doubtless took occasion to inform himself first-hand about conditions in Manchuria, there is good reason to think that his chief object was to talk personally with some of the military administrators, particularly with Viceroy General Oshima, and to urge certain political and financial necessities of the Government upon them. At this time differences between the ministry and military administrators in Manchuria had almost reached a state of open dissension. The ministry was urging a hastening of the military evacuation, and an ostensible restoration of Chinese autonomy. In fact, the first of a series of announcements of the "opening" of Manchuria had already been circulated over the world by news services out of Tokyo. A disposition to become sceptically critical was beginning to appear in the West, induced by complaints about conditions in the country. The military administrators in Manchuria, with the usual reluctance, as often exemplified by analogous conditions elsewhere, to relinquish their absolute rule, were strongly objecting to any modification of the situation. While he is not known to have expressed himself publicly, it was understood in well-informed circles that General Oshima was strongly opposed to even an appearance of giving up the country; and in this, as I have indicated, he had the support of a powerful faction at Tokyo. The army holds the view that if it gets out of Manchuria now it will be forever, and this it regards as partial and useless dissipation of the fruits of its exertions and sacrifices. I pretend to no exact knowledge of what transpired between Saionji and Oshima, but it seems that a rupture narrowly was averted. It is said that when Saionji returned to Japan he carried with him Oshima's resignation, to take effect unless his (Oshima's) views were at least partly met.

Some compromise evidently was reached, for Oshima retained command in Manchuria. Soon afterward, however, he removed his headquarters from Liao-yang to Port Arthur, in Japanese leased territory. His title was changed from "Viceroy" to "Governor-General," and it was officially announced that he would thereafter administer Manchuria under the direction of the Foreign Office.

While this move was an outward defeat for the military party, its repulse was more apparent than real. The shifting of General Oshima's headquarters did not alter the real situation, for administration of Southern Manchuria remained in the hands of his military subordinates. Although the greater part of the army had returned to Japan, detachments were stationed in the principal cities and towns. Unadulterated military rule still prevailed. As the number of troops was reduced the local Chinese civil authorities were permitted partly to resume their customary functions, still, however, under the direct supervision of Japanese. Eager as China is to regain her territory, her position is very delicate and requires the exercise of tact. The Chinese Government was during this period content to accept what was permitted, and while occasionally a hint was thrown out that less deliberation in restoring her autonomy would be entirely to China's satisfaction, no disposition was shown to hustle or irritate Japan.

The real situation well may be illustrated by relations which then existed between the Japanese administrator at Moukden and the Chinese Viceroy of Manchuria, whose seat of government is in the old Manchu capital. Soon after the Japanese occupied Moukden they removed the Tartar General who had held the position during the Russian occupation, and for a time no successor was appointed

by the Chinese Government. After an interval a new Viceroy was named, whose appointment, if it was not absolutely dictated by Japan, was subject to her veto. The new Tartar General entered Moukden with a ceremonial flourish, in which the Japanese military authorities participated. Once inside his palace, however, he became practically a figurehead. Indeed, it is not too much to say that he was for a time a prisoner, as was demonstrated by a number of incidents which came under the observation of foreigners.

The difficulties which were thrown in the way of foreigners who desired to enter Manchuria after the conclusion of peace will be hereafter described, but some few exceptions were made to the rule debarring them. In the spring of 1906 the consular representative of a western power, stationed at Newchwang, was ordered by his Government to proceed to some interior points for the purpose of observing conditions and looking after property which belonged to its nationals. After considerable delay, permission for him to make the journey was granted by Japan. On reaching Moukden the foreign official prepared to call upon the Tartar General. This was entirely proper, and to have failed to do so would have been a courtesy. On intimating his intention to Japanese officials who had him in charge, he was informed that the Chinese Viceroy was very ill and unable to receive visitors. Not quite satisfied, the Consul-General quietly made some inquiry through Chinese sources, with a result that he received word that the Tartar General was quite well and very anxious to see him. He thereupon pressed his request upon the Japanese military administrator, who finally gave an obviously reluctant consent, with the proviso that a Japanese officer should be present at the interview. Under these circumstances the Consul-

General saw His Excellency, who greeted him with pleasure, and expressed a wish to have a private conversation with him. This proved difficult to manage, owing to the presence of a Japanese officer, but the Viceroy succeeded in communicating an impression of his relations with the Japanese. Later on the same day, when the Tartar General attempted to return the call of the Consul-General, he was arrested by Japanese soldiers and compelled to remain in the Yamen. A short time afterward a consular representative of another western power, on a similar visit to Moukden, was unable to see the Viceroy, receiving word through the Japanese administrator that His Excellency was too ill to receive visitors. This foreign official privately expressed the opinion after leaving Moukden that Japanese officials prevented the Tartar General from receiving him. It should be remembered that these incidents occurred something like eight months after the war had ended, and after it had been announced from Tokyo that Chinese local autonomy in Manchuria was substantially restored.

If the Japanese authorities assumed this attitude in dealing with one of the highest officials in the Chinese Empire, in the chief city and capital of Manchuria, and when the circumstances could hardly escape the notice of foreigners, one well may wonder what may have been the situation of Chinese officials of lower degree, located in remoter towns and villages, where foreign observers had not penetrated since the Japanese occupied the country. Many and bitter were the complaints made by local Chinese magistrates about certain methods of Japanese military administration, but until recently slight official attention was paid to them. Meanwhile, the Japanese and Chinese governments, and representatives of both nations in Manchuria, were continually fencing with each other, as

conditions slowly shifted, in the effort to score points; the main object of China being to get the Japanese out of the country as soon as might be and on the best terms, while Japan endeavored to defer abandonment of her advantageous position, using it as a lever to reap all existing benefits and to force, if possible, a permanent continuance of them.

While China was impatiently but somewhat passively waiting for Japan to notify her, in accordance with Article 3 of the supplementary agreement, that the time had come for resumption of her autonomy in regions that had been evacuated, outside pressure to hasten the "opening" of the country began to be felt in Tokyo. I will not here discuss the reasons for and character of this pressure, which is fully treated elsewhere, but it had the effect of causing another apparent turn of the wheel. On June 1, 1906, a banquet was given at Moukden by the Japanese military administrator, and which was attended by the Tartar General and his staff, when it was formerly announced, in an after-dinner speech, that the military evacuation was completed and that immediate steps would be taken to restore administration of a large part of the country to Chinese officials, and that restrictions upon foreigners entering Manchuria would be removed. Again did the press of the world announce the glad tidings. But months passed and nothing was done, from anything that could be detected in Manchuria, toward carrying out this announcement. In fact, it seemed for a time that its fulfillment might be deferred indefinitely; for it at once plunged the Japanese ministry into the throes of another internal crisis.

As long as the policy was merely to pretend to "open" that part of Manchuria under the control of Japan, while leaving the actual conditions comparatively unaffected, the discontent of the military party was somewhat assuaged,

and its leaders were persuaded to countenance outward concessions to international expediency. But really to turn over any part of the country to the Chinese was felt by the military administrators to give ground which might never be recovered. So they rallied their partisans at Tokyo and the fight raged afresh. Little was permitted to leak out of the council chamber, but the crisis had, nevertheless, some significant manifestations. When it was announced that Viscount Hayashi, Minister for Foreign Affairs, had taken a vacation from his official duties, some native newspapers commented upon the matter. One of the leading Japanese vernacular journals had this to say:

"Various rumors are in circulation as to the actual cause of Viscount Hayashi's temporary retirement, it being widely believed that he has been forced to retire owing to the situation in the cabinet. A Tokyo dispatch to this paper states that Viscount Hayashi's indisposition is of so slight a nature that he cannot be said to be ill, nor is it at all necessary for him to absent himself from his official duties on that account. Viscount Hayashi is stated to have quoted his medical adviser's opinion that he should relieve himself of all business and take care of his health; otherwise the consequences would be serious. The large amount of important diplomatic business in the course of negotiation at the present time may account for Marquis Saionji assuming the control of foreign affairs; but certain circumstances suggest that the present leave of absence granted to Viscount Hayashi is merely the forerunner of his resignation. The strained relations between the civil and military parties in the cabinet—which led to the resignation of Mr. Kato, Viscount Hayashi's predecessor—continue to cause friction, especially in reference to the



NEW JAPANESE ADMINISTRATIVE BUILDING, MOUKDEN.



A FETE IN THE JAPANESE SETTLEMENT, MOUKDEN.

opening of Manchuria. Consequently, the settlement of every question — even though it concerns Great Britain or the United States — involves a disagreement between these conflicting parties, a state of affairs which has greatly harassed Viscount Hayashi as Foreign Minister. Moreover, the diplomatic negotiations with China have not proceeded so swiftly or satisfactorily as could be desired, and finding the outlook hopeless in his embarrassing position Viscount Hayashi is said to have resolved to quit office on the plea of ill health."

To those who have regarded political Japan as a happy family, harmoniously bending its energy for the national good, this intimation of the internal disagreements common to all governments may come as a surprise. From what I know of Japan, inside and outside, I am convinced that western knowledge of darkest Russia is as the noon-day sun to the moon compared to general western understanding of internal forces which sway the policy of Nippon. The Russian official sphynx is garrulous in comparison with his eastern neighbor and erstwhile foe. In no other country which pretends to broader civilization is news about national affairs which is sent out for publication abroad so effectually controlled by the Government as in Japan.

Whatever may be the whole truth about this crisis, the conservative party for the time held its position, and the policy of moderation and expediency was kept to the fore. On August 1, 1906, the Japanese military administrator at Moukden gave another banquet, to which principal Chinese officials were invited; when he announced that on that date Japanese military administration of Moukden would terminate. During the proceedings attention was called, in an address read in Chinese, to the alleged fact

that while Japan was living up to her promises, had completely evacuated the country and was now restoring Chinese autonomy, the Russians further north, although under similar obligations, had withdrawn only part of their forces; the obvious moral being that Japan was the real friend of China. What the Tartar General and his subordinates who were present thought of these assurances is not known, but the function passed harmoniously. A few days afterward the Japanese military administrator departed from Moukden with his staff, and went to Port Arthur, after turning over to the Japanese Consul-General at Moukden the care of Japanese subjects and interests. The Japanese guards were withdrawn from the Yamen and the city gates, and were replaced by Chinese troops and police. Here, then, was tangible evidence of an intention to restore Chinese authority, and Chinese officials were for a brief while greatly encouraged.

But they soon discovered that in practice there was little real difference between Japanese military administration and Japanese consular supervision, backed by the same military force. It developed that Chinese officials could do nothing of importance without "consulting" the Japanese Consul-General, who remained the real authority. Beside this, the so-called restoration was so narrow in its territorial application as to confer little more than personal liberty to the Tartar General inside the city of Moukden. At the same time when Moukden was "restored," similar steps were taken at Liao-yang, Tieling and some other minor places in the interior, which gave a casual impression that the restoration was general throughout the country. But when the Tartar General prepared, in 1906, to make a trip for the purpose of ascertaining conditions and the situation of Chinese subjects, he was privately "advised" by the Japanese Consul-General to

remain in Moukden, and did so. It is true that this was subsequently made to appear as the act of the Chinese Government, and it was announced at Peking that the Viceroy's journey would be deferred; but there is no doubt that diplomatic pressure was brought to compel this announcement, and meanwhile the Japanese kept the Tartar General cooped up in Moukden. The truth is that while not kept under quite as rigid surveillance as formerly, His Excellency was little more than an unwilling puppet in the hands of the Japanese.

At intervals after the signing of the convention of 1905, which is obviously and admittedly incomplete, there were negotiations at Peking between Mr. Hayashi, the Japanese minister, and the Wai-Wu-Pu, with a view to adjusting the many matters left open by or entirely omitted from the existing agreement. Apparently almost no progress was made, although necessity for expedition grew as time for final and complete evacuation of Manchuria by the former belligerents drew near. Each nation blamed the other for the seeming deadlock, bringing contra-charges of dilatory methods; and probably the truth is that both were in a measure responsible. Both nations were feeling their way, realizing that they alone or together cannot entirely settle all issues that may be raised. But there are many questions, however they may affect other interests, upon which some kind of an understanding must be reached between China and Japan before conditions in Manchuria can be established upon a stable basis. A majority of these questions grow out of purely local conditions, and are results of the war and some phases of the military occupation. Their equities may, therefore, best be got at by examination of some of the elements involved.

CHAPTER XV

PROPERTY RIGHTS IN MANCHURIA

A PUZZLING QUESTION — JAPANESE RIGHTS INHERITED FROM RUSSIA — THE SOUTH MANCHURIAN RAILWAY — MINES AND OTHER CONCESSIONS — ADDITIONAL REQUISITIONS BY THE JAPANESE — VALIDITY OF TITLES IN DISPUTE — JAPANESE SETTLEMENTS — THE CASE OF ANTUNG — SEIZURE OF LAND — METHODS EMPLOYED — MONOPOLY OF FACILITIES — THE CASE OF NEWCHWANG — CIVIC IMPROVEMENTS — A SPECULATIVE PROJECT — CONFISCATION OF RIGHTS — USE OF CHINESE REVENUES — ACQUISITION OF CHINESE PRIVATE PROPERTY — JAPAN'S MORAL SHIFT — BEARING OF THESE PROPOSITIONS UPON CHINA'S SOVEREIGNTY — THE YALU TIMBER INDUSTRY — A DEADLOCK.

ONE of the complex and puzzling questions which grew out of Japanese and Russian occupation of Manchuria relates to property rights under the new status. These alleged rights vary greatly in character, but a majority consist of real estate and other vested interests. For purpose of classification they may be discussed under two heads — Rights or interests which the Japanese claim to have inherited from the Russians, and rights and interests which they claim to have acquired since their occupation of the country. When rights which have been inherited from the Russians are mentioned one naturally thinks of the South Manchurian Railway (Chinese Eastern Railway), which is provided for in the treaty. But the railway and Kwang-tung lease by no means limit Japan's

claims, and some of them present extremely interesting phases.

Beside the railway, Japan claims that all concessions formerly held by Russia revert to her, and has established herself in possession of them. They chiefly consist of mining and timber concessions, and while their value is not definitely known, it is believed to be considerable. Even before peace was declared mining experts in the employ of the Japanese Government were set to work in southern Manchuria and along the upper Yalu, to make an examination of the mineral resources of the country. After hostilities ended this prospecting was continued on a wide scale. Not only are all mines formerly opened or prospected by the Russians in southern Manchuria now in the hands of Japanese, but also are many to which the Russians never made a claim. During Russian occupation, beside land and buildings purchased from Chinese residents of the country, much real property was occupied under circumstances which savored strongly of appropriation. Such actions of the Russians were strongly criticised by the Japanese press and Government, and the moral need for someone to intervene in behalf of the Chinese was pointed out. The Chinese people and authorities also protested at these actions, and succeeded in a number of instances in compelling restitution, or securing payment for the owners. Much of such property fell into the hands of the Japanese when they expelled the Russians, and the former owners were for a while rejoicing at the prospect of getting their own back again. In many instances where Russians held title to property, validity of the deeds was disputed, it being alleged that when other means failed to induce an owner to sell coercion was resorted to. These charges against the Russians were widely published before the war, and while they

usually were exaggerated they were by no means destitute of truth. Now the shoe is on another foot, and the Japanese Government shows a disposition to claim as a legitimate inheritance what it formerly objected to Russia taking. Japan's argument seems to be that the robber's spoils belong to the man who drives him off. And in regard to some former Russian concessions, Japan is inclined to stretch them farther than the Russians themselves ever attempted to do.

Far from building any hopes of a general recovery, through Japanese occupation, of Chinese property appropriated outright or under various subterfuges by the Russians, the unfortunate residents of Manchuria now find themselves confronted by a similar and far greater acquisition of public and private property by the Japanese themselves. In matter I have formerly published about conditions in this country,¹ I thoroughly discussed the suffering and annoyance to which the Chinese population was subjected by the military authorities during the war, and need not review them here. Fortunately, the general situation of native residents is much ameliorated since the establishment of peace, and the more tragic elements have almost disappeared. But reminders of that gloomy period remain, and one of these takes root in the manner by which titles to property now claimed by Japanese were acquired. It is not feasible here to give many examples of how this system has worked, and in selecting a few illustrations I take cases which directly involve the Japanese Government, through its administrators, and which may, by sometime becoming the subject of international arbitration, have attention concentrated upon them.

As a case of this kind I select that of the Japanese settlement at Antung. This town, which is situated near the mouth of the Yalu river, was almost the first place in

¹ *The New Far East.*

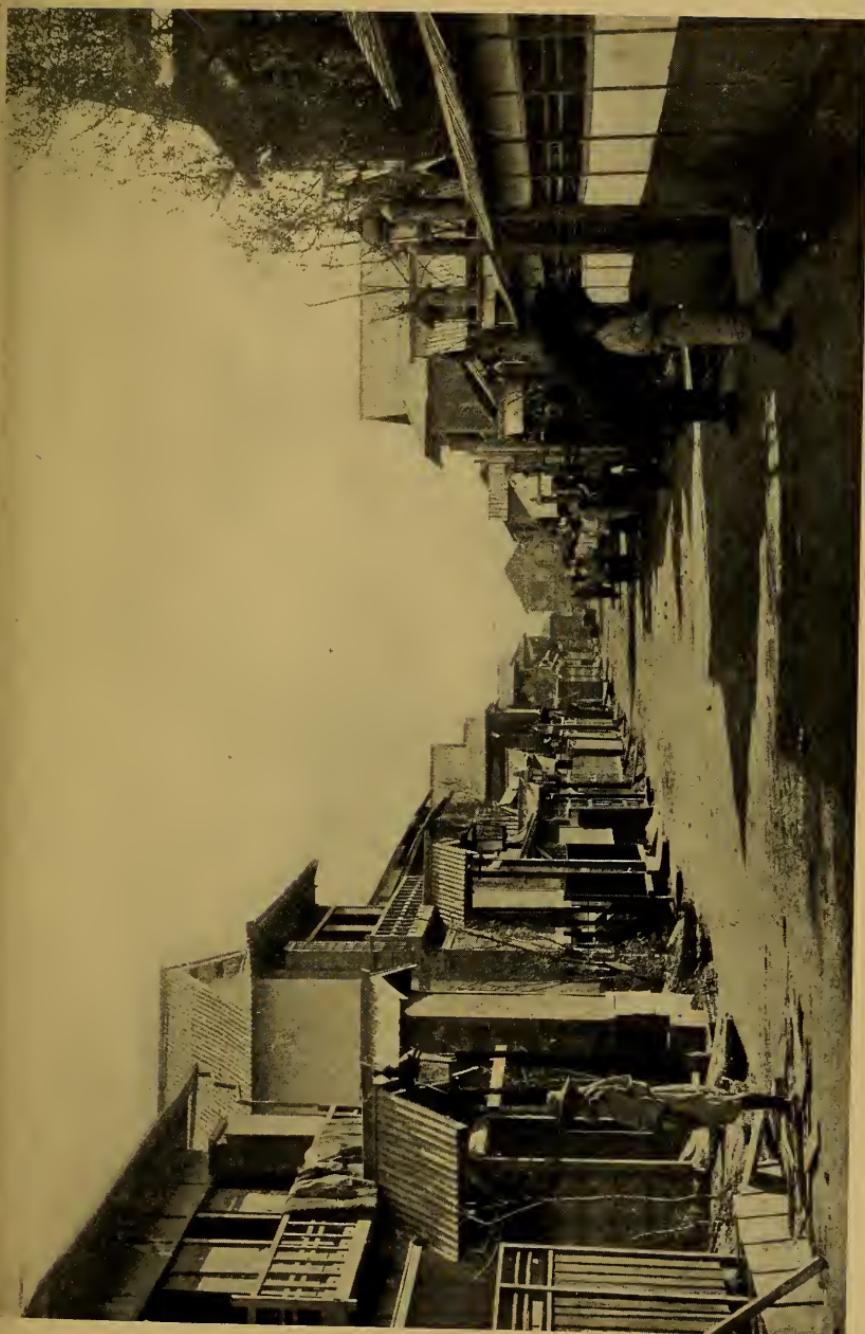
Manchuria to be occupied by the Japanese army. For more than fifteen months before the war ended, it was under Japanese administration. Its commercial importance has long been recognized, and before the war the efforts of John Hay resulted in having it declared a treaty port by China, and an American consul was appointed to the post. Owing to the war, however, the position was unoccupied until 1908, leaving Japan for several years the only nation represented there. Soon after the Japanese army occupied Antung, early in 1904, steps were taken to create a Japanese settlement. A large plot of ground immediately adjacent to the Chinese city was laid out for a town and surrounded by a wall. When the war ended an apparently thriving settlement was already established, with shops and other activities that usually are to be found in Japan. Also it was found that practically all river front available for godowns and shipping purposes had been secured by Japanese. These things are not in themselves objectionable, but there were some complaints by other foreign firms that had contemplated establishing themselves there; and Japan is open to the criticism of using her military control of the country to get everything worth having while her regulations kept competitors out.

Nearly the whole of this property is now in dispute. The Japanese Government wants the Chinese Government now to perfect the titles, which was not practicable during the war, and the Chinese Government hesitates to do so on the ground that transfers of much of the land were, it is asserted, secured by coercion and fraud, and without co-operation of Chinese local officials. To this contention the Japanese reply that the land was regularly purchased from the proper owners, and paid for. This seems to be true in a *prima facie* sense; but many former owners now assert that they were forced to part with their prop-

erty, and that they did not receive the money appropriated by the Japanese Government to pay them. Extraordinary as these assertions may seem to people who reside in highly civilized communities, and who have never had the misfortune to live in the path of war, there was much in the known conditions in Manchuria at the time most of this property was acquired to give plausibility to the evidence of former Chinese owners. An official of the American Government, who investigated the situation at Antung soon after the war, was informed by the Japanese authorities there that a fair price was paid for all land then held by them, or by Japanese subjects, and the prices quoted, while not representing ordinary values, might be considered equitable remuneration at the time the property is alleged to have been bought. It is probable that many Chinese owners sold willingly; but there is strong evidence to show that some of them parted with their property with reluctance. The usual method seems to have been, with recalcitrant or reluctant owners, to employ an intermediary not connected with the Japanese military administration. Frequently these intermediaries were Chinese or Japanese who were attached to the Japanese administration as spies and informers, and who exercised a sinister influence among the people. Former owners now assert, since they have been able to learn the prices which Japanese claim to have paid, that in many cases intermediaries gave the owners but a tithe of the actual purchase price, pocketing the difference themselves or sharing it with petty Japanese officials, and if mulcted Chinese suspected that they were being robbed they dared not complain. The land thus in dispute at Antung embraces about five square miles, includes the railway station and yards, the Japanese settlement and the best of the river front.

A similar case is at Newchwang. This treaty port,

STREET IN JAPANESE SETTLEMENT AT ANTUNG.
The site of this town, which was built since the Russo-Japanese war,
is in dispute between Japan and China.



which was the only one fully opened in Manchuria when war began, has, consequently, a somewhat peculiar position. Although the city was occupied at times by the military of both belligerents, foreign consular representatives remained at their posts through the war, as did the greater part of the small foreign population. A result of these conditions was that both Russian and Japanese authorities were more careful of their actions than was true elsewhere in the country, for whatever they did was observed and reported to other governments, and there was no way of preventing news from going out. Moderate action was therefore the rule in Newchwang under both military regimes, and illustrations taken from there reduce probability of exaggeration to a minimum.

When the Russian Government built a branch of the Chinese Eastern Railway from Tashihcha to Newchwang, the Newchwang terminus was placed on the river bank nearly three miles above the city, where a small village grew up around the station. When the Japanese occupied Newchwang, they established a large army base at the railway station. As the land previously occupied by the Russians was not sufficient for Japanese purposes, large additions were requisitioned by the army, and sheds and godowns built upon them. When, as time passed, probability of Russian reoccupation vanished, the Japanese authorities began extensive improvements. A macadamized road several miles long was built from the city to and beyond the railway station, with brick drains and curbing. At the time when construction of this road was commenced, it was spoken of as a military necessity and so regarded by foreigners in Newchwang, although its evidently permanent character caused comment. But when, after peace was declared, work on the road was continued and extended; and the whole of the large tract lying between

the city and the station, by the river, was laid out in cross-streets along which a Japanese settlement began to spring up, the intent of the plan became clear. It then developed that during the war Japanese had acquired almost all land about the station and lying between it and the city. Japanese officials contend that this property was secured by ordinary purchase. But, as at Antung, many former owners now claim that coercion was used to induce them to sell.

It is not easy to get at the entire truth of this matter. Investigation of circumstances attending these transfers clearly shows, as at Antung and other places, that some property was seized by Japanese under military law, without consulting the wishes of owners; and after hostilities ended former owners practically were compelled to accept such remuneration as was offered, or run the risk of getting none at all. On the other hand, it seems that some Chinese owners sold their land willingly, and were satisfied with prices which they received. Before the war most of this land had small value, either actual or prospective, and usually was held at low prices. Taking values as they were when Japanese took over this property, the stated remuneration seems reasonable, assuming that the real owners got the money, and that prices given are correct. But since the improvements inaugurated by Japanese authorities have fully developed (these include — besides roads and streets — street lamps, and water-front facilities) property in the locality has greatly advanced, and some of it is quoted at ten to twenty times its former value. Some property for which Japanese state that they paid twenty-five taels (about \$17.00) a mow (about 1-5 acre), has since been quoted at 1,000 taels a mow; and while these values seem inflated, some lots are said to have changed hands at this price.

This whole movement is analogous to a common kind of real estate speculation in America, where likely premises adjacent to cities are laid out in building lots, streets and other civic improvements made, and settlement invited. It now seems clear that this plan was contemplated by Japanese administrators, if not from the beginning, from the time when it became evident that Japan was to remain in temporary possession of southern Manchuria. While some land owned by other foreigners was occupied by Japanese for military uses, no disposition was shown not to reimburse such owners, and repair damages, although such reparation does not always entirely satisfy owners. It also seems likely that some former Chinese owners, who may have sold their property willingly, now realize that they were worsted in a speculative sense, and in their discontent bring accusations against the Japanese authorities, out of spite, which cannot be substantiated. In the whole affair Japanese authorities have managed to preserve outward regularity, though the circumstances, when investigated in detail, throw strong suspicion upon the methods employed. The real issue of the controversy is whether Chinese owners were coerced into selling their property. In many cases, it now appears, where a group of Chinese objected to selling at the price offered, the matter was taken up between Japanese authorities and the local guilds, and adjusted by compromise. Conditions which surrounded relations of Japanese military administrators to the Chinese functionary bodies do not, however, justify any great assurance in the equity of this plan. It is known that some prominent guild leaders, then under serious charges or imprisonment by the military authorities, had such disabilities apparently removed after meeting the views of Japanese officials in this and other matters; and

it is also known that some of these Chinese were open and silent partners in large contracts growing out of these improvements, and which were at the letting of Japanese authorities. And it is positively known that some higher Japanese officials were personally interested, in a financial way, in the speculation involved by the scheme as a whole.

The visible improvements which are the result of all this will impress any visitor to Newchwang, and the press of the world, duly notified by the Tokyo news service, favorably commented upon the benefits of Japanese administration. The benefits are obvious enough, looked at only from the standpoint of what has been accomplished. But action of the Chinese Government, in raising this issue of property rights in connection with the negotiations with Japan, calls attention to a matter of considerable pertinence. It appears that the money used in making these improvements at Newchwang and elsewhere was largely derived from the customs revenue at Newchwang and local revenues there and elsewhere. To elucidate this phase of the question it is necessary to state that when Japanese military authorities took possession of the port, after its evacuation by the Russians, they also took general control of the custom house. Few changes were made in the personnel of the customs staff, which was at that time and for long after under Mr. Edward Gilchrist, an American, and who was succeeded by Mr. Clark, also an American. The Chinese customs, as is generally known, are pledged to satisfy foreign claims upon China's revenue; and are administered by a foreign board of which Sir Robert Hart is the nominal head. So to have interfered materially with outward administration of the Newchwang custom house would have aroused international susceptibilities.

Collection of customs revenue at Newchwang went on as usual under Japanese administration, but there seems to have been a serious divergence from the usual method of disbursement. The Chinese Government asserts that many public improvements undertaken at Newchwang by Japanese were paid for out of customs and local revenue, and that this money also was used to purchase some of the land which now constitutes the new Japanese settlement. In negotiations pending, for the purpose of adjusting matters at issue concerning Manchuria between Japan and China, Japan has announced that she expects to retain that part of customs and other revenues collected under her administration and which was spent for public purposes, such as roads and sanitation. As by far the greater proportion of such expenditure, so far as I was able to discover, was upon roads needed at the time for Japanese military use (although some now are convertible to public use), and upon improvement of actual or proposed Japanese settlements, which Japan now insists that China recognize as permanent and extra-territorial, it will be seen that Japan's diversion of local and national Chinese revenues was not entirely altruistic. China has protested that she cannot consent to retention by Japan of revenues pledged for general indemnity due to several nations, nor can she recognize the validity of expenditure by Japan of local revenues in the purchase of land at an arbitrary price for Japanese use and occupation.

Conditions as illustrated by property disputes in Antung and Newchwang are universal, in some degree, throughout all parts of Manchuria where Japanese military administration has been and is applied. Not only has the Japanese Government, through its regular officials, acquired, under equivocal circumstances, a large amount of what formerly was Chinese public and private prop-

erty; but hundreds of instances are known where Japanese subjects have been supported by Japanese officials in acquiring Chinese property against protests of the owners. Indeed, some of the cases of this nature which were brought to my attention, through reliable sources, show a disregard of law and equity that constitutes a reproach upon those officials who permitted such incidents to occur.

In regard to Japan's contention that she inherits all privileges, concessions and property formerly held by Russia, China again takes issue with her; pointing out that many of Russia's alleged privileges and property rights never were recognized as valid by China, but, on the contrary, were strenuously disputed. In this category China places (the specific exceptions have not, so far as I know, been made public, but I am informed by a high Chinese official in close touch with the negotiations) all coal and other mines formerly operated and claimed by Russia, and much of the real estate included by and adjacent to former Russian settlements along the railway. It is somewhat amusing to see Japan, by her position in this matter, assume an attitude of championing the actions of Russia which she formerly complained of, and upon which she based her chief reasons for going to war. The importance of this question to China is far greater than the issue involved in the value of this property which lies south of the line of present division between Russian and Japanese spheres in Manchuria. It should be remembered, though I am now confining the discussion to relations between Japan and China, that very similar issues must be adjusted with Russia regarding a far larger part of Manchuria. If China reaches an agreement with Japan by which she concedes Japan's right to inherit these desiderata of the former Russian regime, it will be diffi-



THE HOSPITAL, JAPANESE SETTLEMENT, NEWCHWANG.



STREET IN JAPANESE SETTLEMENT, NEWCHWANG.

cult, if not impossible logically to refuse to recognize Russia's similar claims in regions farther north. In much advocacy that I have noticed in the western press, in favor of granting Japan a generous allowance in Manchuria to compensate her for sacrifices in the war, it seems to have been entirely forgotten that Russia still occupies two-thirds of the country, under precisely the same terms as Japan, and that such arguments, in effect, tend to support Russia in pressing the retention of the *status quo* respecting herself.

Property disputes between Japanese subjects and Chinese residents of Manchuria, of which there is an enormous number, while presenting fewer elements of international friction than similar controversies of their governments, possess considerable humanitarian interest. There is too much disposition in the West, it seems to me, to ignore, in discussing the recent war and its results, its effects upon Chinese inhabitants of this region. Representing the greatest human factor in the issues at stake, they apparently are regarded in many quarters almost as a negligible quantity, to be considered only after more important matters are disposed of.

Of the innumerable cases where Chinese claim to have been forcibly and wrongfully deprived of their property, one of considerable importance refers to the timber industry along the Yalu river. Those who followed the diplomatic recriminations which immediately preceded the late war may recall that alleged improper Russian aggressions in the Yalu timber region was made a ground of complaint by Japan. It was contended by Japan that Russian claims to timber concessions on both banks of the Yalu were, in effect, fraudulent, and constituted a direct and further aggression upon both Chinese and Korean territory which Japan could not tolerate. To some it may

seem unnecessary to thus, in presenting cases for illustration, so frequently revert to their political antecedents; but the astounding rapidity, particularly in regard to Japan, that pre-bellum attitude and assurances are being relegated to oblivion in favor of new and constantly shifting premises, seems to justify keeping the old arguments in mind in this discussion. Japan has not here, as in other places, absolutely demanded the timber concession in Manchuria formerly claimed by Russia; but she caused to be inserted into the supplementary agreement to the last convention with China¹ (Article 10) a clause providing for organization of a company to exploit forests on the right bank of the Yalu, the Korean side now being absolutely controlled by Japan. Long before this agreement was signed Japanese had taken possession of the properties in question, and have since been using them as their own, regardless of wishes of the Chinese; and the clause referred to seems designed to give a color of legality to Japan's past and present actions.

When the Japanese army occupied the Yalu country, the military authorities at once took possession of this industry. At that time there was a large quantity of cut logs lying in the river, and these were seized. Since then the business has been carried on by Japanese, it being the chief source of supply for timber and lumber needed for constructing military railways, fortifications and other requirements during and since the war. It now appears that Chinese who owned these logs and lumber, and whose business arbitrarily was taken out of their hands, have not been able to secure a full settlement. They demand payment for lumber and timber used, and restoration of the property to their own management. During the four and a half years since Japanese seized

¹ Appendix C.

these properties, several serious disturbances growing out of the matter have occurred. On one occasion when Chinese refused to turn over a quantity of lumber and logs, a detachment of Japanese troops fired upon them, killed a number of the Chinese, and seized the property. On another somewhat similar occasion Japanese troops were sent to disperse recalcitrant Chinese, but no bloodshed resulted. Japanese authorities have claimed that Chinese demand too high a price for timber and lumber that was consumed, while Chinese claim that the Japanese offer too little. So a deadlock resulted, which must be settled in some way by the respective governments. Meanwhile Japanese retain complete supervision of the industry. Tentative attempts have been made to satisfy Chinese interested in the timber business in the Yalu region, by offering to include them in a corporation to be organized under the terms of the treaty; but the Chinese apparently do not want to be included in the proposed company, which they fear will be conducted by Japanese chiefly for their own profit. The commercial reputation of Japanese in the East is such that most people other than Japanese hesitate to become associated with them in enterprises except under conditions which insure equity and honest administration. When pressed to restore the timber business on the Yalu to its former status, now that the war is over, the Japanese state that they are awaiting organization of the company which is to have the concession, under the terms of the treaty, and that refusal of Chinese to coöperate alone prevents progress.

Int. X 61, No. 4
(April, 1907)

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CHAPTER XVI

THE OPEN DOOR IN MANCHURIA

COMMERCIAL ASPECTS OF THE MILITARY REGIME — RUSSIA NOT AN AGGRESSIVE FACTOR — JAPAN'S COMMERCIAL ACTIVITY — PART PLAYED BY JAPANESE IMMIGRANTS — ATTITUDE OF JAPAN — THE EXPLOITATION OF MANCHURIA — JAPAN'S PROPRIETARY TONE — THE "OPEN DOOR" — ELEMENTS INVOLVED — CONDITIONS AFFECTING INCOMING COMMERCE — JAPAN'S CONTROL OF TRANSPORTATION FACILITIES — USE OF JAPANESE SHIPPING LINES — ENCOURAGEMENTS TO JAPANESE TRADE — JAPAN'S ASSUMPTION OF SOVEREIGNTY — INTERNATIONAL INTERESTS AFFECTED — JAPAN'S DENIAL OF ALLEGED DISCRIMINATIONS.

ALTHOUGH political circumstances which attend the occupation of Manchuria by Japan and Russia are of great international importance, and must in time determine the condition and status of all activities within the country, some commercial aspects of the military regime have extraordinary significance to trading nations interested in the future of the Far East. As Russia is not, at least just now, an aggressive commercial power, and her presence in northern Manchuria involves no substantial difference from the situation during years which preceded the late war, here again the chief interest lies in actions of Japan. And of unusual features presented by new commercial activities of Japan, at home and throughout the East, none is so immediately significant, particularly to America, as that illustrated by some phases

of what was done here during the period when Japan's authority was absolute.

The beginning of Japan's direct commercial activity in Manchuria did not wait upon conclusion of the war. When before hostilities terminated it was pointed out that thousands of immigrants and commercial agents were tramping upon the heels of Japanese armies, it was asserted in some quarters that these persons, whose presence it was said was only temporary, were connected with the military operations, and had nothing to do with a calculated commercial policy of the Japanese Government. If such assertions ever had any plausibility, it long ago vanished. The year that followed the making of peace revealed this movement, beyond possibility of equivocation, in its true light. There is no longer any attempt to conceal reasons for the presence of these immigrants, and the Japanese Government, by many official acts and utterances, has declared its purposes and intentions in terms so plain that they are clear even to casual inspection.

In the effort by Japan to capitalize her victory over Russia, and make it a means of starting the nation upon a career of industrial and commercial prosperity, an important place was assigned to Manchuria. Optimistic propaganda concerning the future of the Empire that was wide-published in Japan and throughout the world prominently represented Manchuria among the new assets. Care was taken in most of this comment to refrain from openly asserting proprietary interest, but many Japanese journals and some semi-official utterances have, in discussing imperial possibilities, treated China's provinces as already being, in practical effect, an adjunct of Japan. It was taken for granted in such comment that it is for Japan to decide upon the future of southern Manchuria, and that no interference with her decision will be tol-

erated. Within the last year, since attention of the western world has been more definitely attracted to conditions in Manchuria, the Japanese official press has quit its proprietary tone in speaking of the country; but at the time of which I am now writing that tone habitually was employed.

Japan's design commercially to exploit Manchuria is part of a general plan embracing Korea, the home dominions and other parts of the East, the scope of which has already been intimated; but it will here suffice specifically to mention only those methods which are designed to apply specially in this locality.

Among factors applicable to development of the foreign commerce of any nation, beside purely internal elements, are means for getting goods to a proposed market, and conditions under which they may enter that market; or, in other words, transportation and such regulations affecting trade as customs and other tariffs. It has often been pointed out, by students of Japan's industrial and economic position, that her geographical location gives her great advantage over western nations in trade with China and Korea in the matter of transportation; and some have contended that this advantage will offset certain handicaps which she always must, apparently, unless she acquires extensive continental possessions, labor under. Under these circumstances it was thought by many that Japan could afford to forego discriminations in her favor in entering the continent, and this alleged fact tended to diminish western commercial uneasiness in regard to portions of Asia falling temporarily or permanently under her control. Japanese commercial enterprises in Manchuria during and since the war throw light upon these questions, and perhaps afford a basis for some conclusions as to the real purport



TIMBER RAFTS ON THE YALU RIVER.



SCENE IN CHIEN-TAO, A SECTION OF MANCHURIA ADJOINING KOREA,
AND WHICH IS OCCUPIED BY JAPANESE.

of her policy. In examining matters which bear upon them, illustrated by their application to Manchuria, it may be better to take up the item of transportation first, as it is entirely controlled by the Japanese Government, and for a long time after the war ended was practically unaffected by outside influence or action.

During the war with Russia the great Japanese shipping companies chiefly were employed in transporting troops and munitions of war to the scene of hostilities; and when hostilities ended the return of the armies to Japan provided business for a considerable time. But after the war, with the tide of transport setting, for the first time in eighteen months, almost entirely toward Japan, the shipping companies found their boats returning to Manchuria with light cargoes or none at all. Special inducements, with direct encouragement and frequent assistance of the Government, were offered to Japanese desiring to emigrate to Manchuria. Rosy reports of prospects there were circulated in Japan, and this and the low rates offered had a material effect in swelling the tide of emigration. It is known that many of these emigrants of certain classes, particularly tradesmen, were given transport for themselves and belongings; the presumption being that where such persons were carried free the Government in some way compensated the shipping companies. Several special excursions were made, thousands of so-called students given a free trip to Manchuria, and opportunity to remain there if they wished. Although some effort was made to induce a good class of emigrants to take advantage of these offers, the average, judging from those to be seen in Manchuria, is very poor, falling under normal social level in Japan, and giving some ground to the charge that Japan has been making Manchuria and Korea a dumping

ground for her undesirable elements. So strong at times were these complaints, that many Japanese were deported by the military authorities, and sent back to Japan. But enough to make a distinct impression upon the commercial life of the country have remained.

The chief use to which Japanese shipping companies were put was in bringing Japanese goods to Manchuria. These goods have been brought under various conditions, shifting as the country evolved from a war status. In the beginning it appears that Japanese traders, or some of them, were charged a low rate of freight on their merchandise; but when even with this help they failed to prosper as the Government wished, and showed signs of discouragement, steps were taken to give them further assistance, and firmly to establish Japanese commerce on a definite basis. The Government called some prominent financiers and merchants into consultation, and a somewhat extraordinary programme was advanced. This programme was fully discussed by the Japanese press, and some of its details formulated into official gazettes. For purpose of directing, under the Government, an energetic campaign to monopolize the foreign trade of Manchuria (for no secret was made of the object of the scheme), what is known as the Manchuria Export Guild was formed in 1906. It included most of the greater commercial guilds in Japan, such as the Osaka Boseki, Miye Boseki, Kanakin Seishoku, Tenima Ormomo and the Okayama Boseki. It was announced that Mitsui & Company were to act as general agents for the guilds and the Government, through its branches in Manchuria; and the Yokohama Specie Bank, the Government's fiscal agent in Manchuria, was to lend its coöperation. These details are significant, for the Imperial Household of Japan owns an interest in the Nippon Yusen Kaisha, largest of the big shipping

companies, and in the great Mitsui firm, which, in its various ramifications, is the greatest commercial power in the Empire; and the relations of the Yokohama Specie Bank to the currency in Manchuria, which I will hereafter discuss, will give an idea of its power under existing conditions. The purpose of the Government respecting trade in Manchuria, as printed in the newspapers, was summed in four articles, as follows:

Article 1 — The Government to guarantee a loan of yen 6,000,000 at 4 per cent., to be advanced to Japanese merchants doing business in Manchuria, to assist them in establishing a trade for Japanese goods.

Article 2 — Japanese goods destined for Manchuria to be delivered upon credit under certain limitations.

Article 3 — The Chinese Eastern Railway (South Manchurian Railway) to carry such goods free, or at one-half the usual rate, for one year.

Article 4 — Maritime freightage in Japanese ships carrying Japanese goods to Manchuria to be free, or at one-half the usual rate, for one year.

There were a number of supplementary provisions regarding details for working out the plan as a whole. Firms taking advantage of the Government loan for this purpose, and which did a business aggregating a stated sum annually, were to have $\frac{1}{2}$ per cent. of the interest charge refunded, as encouragement to extra effort. It may be admitted, I think, that when a Government lends money directly to private persons to engage in private business, at a rate of interest below normal; also guarantees them credit for a limited amount, and carries their merchandise free or at half rate to where it is to be sold, it is giving pretty substantial encouragement; and it is

time for competitors to take notice. All that is involved, in respect to outside competition, does not appear on the surface of this plan, unusual and far-reaching as it is. To get at its full effects, and the extent of Japan's efforts to push her trade in Manchuria, requires analysis of all factors to the proposition, in the light of actual conditions there during the occupation period.

Few will deny, as an abstract proposition, that a government legitimately may undertake to advance its national commerce by such methods as are here outlined; for although merchants may be allowed a rate of interest below the market, the difference must be paid by some one, and to say that goods are carried free does not mean that it costs nothing to convey them. In this case it merely means that these ordinary expenses attendant upon the transaction of business temporarily are shifted from certain classes of the community to others; the presumption here being that the cost of the experiment will be merged into general taxation. Either this must be true, or there lurks in the project a design in some way to load the cost upon elements external to the nation.

The Chinese Eastern Railway, mentioned in Article 3, is that part of the South Manchurian Railway ceded by Russia to Japan, and extends from a point in central Manchuria to Port Arthur, with branches to Dalny and Newchwang. Whether the railway from Antung to Moukden, which Japan is to continue to operate, is to be included in the arrangement was not stated; but while probability now indicates that this road will when rebuilt be conducted under a different name, there is no reason to doubt that it, as well as railways in Japan and Korea, also will be utilized wherever it is possible. Thus all of several routes of transportation between Japan and Manchuria, and penetrating into this country, are controlled

over their entire length by the Japanese Government. By these lines goods from Japan can reach the interior of Manchuria over four different routes: By ship to New-chwang, and thence by rail to interior points on either of two railways; by ship to Port Arthur or Dalny, and thence by rail; by ship to Antung, and thence by rail; and by ship to Fusen, and thence by rail to Antung. It is probable that the rail route through Korea will rarely be used for this purpose, as water transportation usually is cheaper.

Assuming that Japan is permitted to remain, as she now actually is, the absolute sovereign of Korea, it will not be feasible for foreign powers to object to regulations she may make regarding the operation of railways in Korea. If Japan wishes, in countries under her sovereignty, to carry Japanese goods free of charge, and to impose a heavy tariff on foreign goods, in order to encourage home industries, it might be considered unusual; but it is difficult to see just how international objection logically can be made, since many governments resort to devices fully as unfair with the same general object, and the right of a nation to regulate its internal affairs is unquestioned. The Japanese Government owns the railways in Japan and Korea, and revenues drawn from them are only an item in the national income, to be raised or lowered as the Government sees fit. If Japan should adopt the policy of operating her railways at a loss, charging the deficit upon other revenues, it would be purely her own business.

As Japan's position in Manchuria is not, however, recognized as sovereign, but is assumed merely to be temporary and preliminary to complete restoration of the sovereignty of China, it is clear that Japan's railway interests there are on a different basis from those in Japan

and Korea. In Manchuria Japan's governmental functions, after the period of occupation has ended (if it ever ends), do not, or should not apply. Here all nations have an interest in the way these railways are managed. All great trading nations have commercial treaties with China which entitle them to "most favored nation" treatment; which means, reduced to practice, that a nation having such a treaty is entitled everywhere in the Chinese Empire to any commercial opportunities and advantages enjoyed by any other foreign nation, and must not be discriminated against in favor of any foreign nation. In all treaties granting to foreign governments or corporations a right to build and operate railways in China, it is understood that railways must give equal facilities to all foreign nations. It is true that some railway conventions exacted from China at a time when she was particularly helpless and ignorant of such things, are ambiguous in this and other important matters, perhaps purposely so; but this tendency long ago was noted by the diplomacy of the world, and steps taken, by mutual exchange of views, to guarantee international equity in this. Most observers of the course of events in China during the last decade will recall John Hay's successful effort to secure definite assurance from Germany that the Shantung Railway will not be operated so as to discriminate against goods of other nations, and the international understanding respecting the "open door" that resulted from his action.

Did not China and foreign nations trading within her borders recognize this principle we might, and probably would see a German railway in China favoring German products in its tariff rates; a French railway carrying French goods cheaper than British, German and American; an English railway giving rebates to British ship-

pers while charging a straight rate to their competitors, and so on. Suppose in the United States the Pennsylvania system gave to German goods a lower rate than to British, French or Austrian; that the Gould system favored the British; that the lines controlled by Mr. Hill were owned by the French Government, which permitted all goods from France to be carried for less than goods originating in England and Germany, or even America. Would not such a condition result in commercial chaos, to say nothing of possibilities for international friction growing out of it? The manner by which rate discriminations have affected internal commerce in America gives an idea of some effects of this method, and conveys an impression of the part it may be made to play in furthering international trade rivalries in the Far East. John Hay saw what such a situation would mean, and tried to nip tendencies toward it in the bud. Nothing, then, can be clearer than that Japan's position as a railway operator in Manchuria is as a corporation, not a Government; and as a corporation she is amenable, or should be, to the laws and treaties of China. Any other interpretation of foreign railway franchises here would be tantamount to destruction of China's power to regulate internal commerce within her domain. Japan may operate railways as a Government in Japan, and also may in Korea if the powers continue to be complaisant, but in China she should be required to conduct them as a corporation.

When, therefore, Japan announced an intention to permit the transport of Japanese products and goods shipped by Japanese merchants for consumption in Manchuria over a railway in Manchuria free of charges, while other foreign products and traders must pay, it looks like deliberately setting at naught the Hay Agreement. It is true

that, in published accounts of the proposals, these special privileges were to extend over a period only of one year. The policy was announced in the spring of 1906, and probably had in mind the fact that the extreme limit of the military occupation of Manchuria expired in the spring of 1907,¹ or about one year from the time when these special privileges were to go into effect. It may be, as this seems to indicate, that Japan realized that for her to continue such a policy after the occupation period had expired would be difficult, and likely to cause international criticism; which throws into rather a strong light her intention to use temporary control of the country to advance her national interests there.

Since Japanese statesmen and the Japanese press have repeatedly denied, in the most specific terms, that the Government is disposed to take such advantage at the possible expense of other competitive nations, and that its actions in Manchuria have had such an effect, it is pertinent to examine some phases of Japanese administration there since the termination of hostilities.

¹ Appendix A.

CHAPTER XVII

THE OPEN DOOR IN MANCHURIA — *Continued*

JAPANESE CLOSURE OF THE COUNTRY — INJURY TO FOREIGN INTERESTS — POLICY OF THE MILITARY ADMINISTRATION — PASSPORTS REFUSED TO FOREIGNERS — SUCH RESTRICTIONS UNNECESSARY — VISIT OF FOREIGN MERCHANTS — THEIR REPORT AND RECOMMENDATIONS — EVASION OF CHINESE CUSTOMS — PRETENSE OF MILITARY NECESSITY — PROTESTS OF CHAMBERS OF COMMERCE — JAPANESE REFUSAL TO PAY LIKIN — CHINESE OFFICIALS IGNORED — USURPATION OF CHINESE PRIVATE PROPERTY — CHARACTER OF JAPANESE IMMIGRANTS — A FOREIGN MISSIONARY'S VIEWS — JAPANESE IN NON-TREATY TOWNS — THE PRINCIPLE INVOLVED.

THE success of Japanese during the war in keeping events in Manchuria, except such as they chose to make public, from general knowledge of the world has been so widely commented upon that it only needs to be referred to for most persons to recall it. Notwithstanding expectation to the contrary, this policy was continued after the treaty of peace had been ratified and dispersal of the opposing armies had begun. As months passed it became evident that Manchuria was as closely locked, especially in the part occupied by Japan, as it was during the war. The chief commercial ingress to Manchuria always has been from the south, so while the same conditions prevailed to some extent in the Russian sphere, the closing of it was not so generally or immediately felt. No sooner was conclusion of peace announced, when

Chinese and foreign commercial houses, whose trade in Manchuria had been interrupted by the war, and which had accumulated large stocks of goods ordinarily consumed there, made preparations to resume business, naturally anticipating a great demand. Other foreigners who had property and private interests there prepared to go to look after them, and discover how they had fared during the war. To their surprise, such persons found the doors to southern Manchuria shut. Obstacles were placed in the way of foreign goods entering the country, and no foreigner could travel without a passport granted by Japanese military authorities.

As an inevitable effect of a prolonged war is to deplete the resources of a land which is the scene of it, and exhaust commodities therein, it is usual in such cases to facilitate introduction of supplies of all kinds, and to deprecate as contrary to humanitarian spirit any disposition to prolong the hardships of noncombatants in a war zone, and to make of their necessities a speculative opportunity. It can hardly be pretended, with any show of reason, that military necessity for such restrictions existed after hostilities ended. What, then, were the reasons for continuation of a strict military exclusion?

It was not to be expected that trading firms in China, which already had suffered considerable detriment by the war, would permit an indefinite continuation of the military embargo upon trade in Manchuria without protest. Western chancelleries might for a time be satisfied by vague talk about a necessary interregnum, but practical business men felt that their interests were being injured, perhaps permanently. Merchants in Shanghai and Tientsin had purchased largely of goods usually sold in Manchuria, anticipating an end of the war, and when peace was declared godowns were filled with this merchandise

and a number of ships already loaded for the north. The Japanese closure brought about stagnation, and a consequent business depression, which was felt over the whole of middle and north China, and which is not yet ended. Some firms were threatened with bankruptcy, and a few weak concerns did collapse. The situation became so serious that the Shanghai Chamber of Commerce, after getting no satisfaction from correspondence with the Japanese military authorities, resolved upon more decisive action. Application was made to the Japanese Consul-General at Shanghai for permission for a committee representing commercial interests in Shanghai to proceed to Manchuria and investigate conditions. This request was refused, with the usual excuses and regrets; whereupon the matter was taken to Peking and placed in the hands of the British and American ministers. This brought quick action by Japan, for the cabinet at Tokyo evidently did not want the question to be raised diplomatically at that time; so the Japanese Consul-General at Shanghai promptly changed front, and informed the merchants that permission would be given for a committee to visit Manchuria.

In the spring of 1906 the visit was made. The committee, which was composed of two British and two American merchants, was cordially received at Newchwang by the Japanese military authorities, and taken, under their supervision, on a short visit to Moukden and some other interior points. I state on excellent authority that every endeavor was made, unobtrusively, by Japanese officials to prevent members of the committee from meeting persons likely to represent conditions unfavorably for the Japanese administration, and they particularly were kept away from prominent Chinese. But the committee was composed of shrewd business men, who might be trusted to

notice a good deal, even with limited and adverse opportunity. When the members returned to Shanghai a report was made to the body which they represented, portions of which were published. To read the newspapers in Japan and China, concerning this report, one might gather that it painted Japanese administration of Manchuria in glowing colors or that the Japanese administration was ruining the country and was deliberately bent upon driving all foreign business out of it. The view taken of the report depended upon the interest in which each newspaper was retained. News despatches sent abroad also reflected such considerations to a great extent; so, as Far Eastern press services are almost altogether handled in the British and Japanese interests, it is likely that western readers got the idea that this report was rather favorable than otherwise, and that it was a matter of minor importance anyway.

The truth seems to be somewhere between these extremes, although members of the committee were inclined to be reticent upon their return. An impression was disseminated, in a general way, that the report was confidential, and that while some grounds for dissatisfaction existed, the Japanese authorities had promised a speedy modification of offensive conditions. The key-note of the greater part of eastern press comment was a glossing over of the question, by reminders that conditions in Manchuria were only temporary, and that Japan could be relied upon to modify them as soon as was possible. That the report contained elements of great vitality is shown by the fact that it repeatedly came up in one form or another, notwithstanding strong disposition in powerful quarters finally to bury it. Several months after it was presented, the Shanghai branch of the British China Association forwarded to the British minister at Peking some



ON THE SOUTH MANCHURIAN RAILWAY.



JAPAN'S COMMERCIAL INVASION OF MANCHURIA.

Two of these signs, which were erected while other foreigners were excluded from the country, advertise Japanese Government monopolistic products.

recommendations based upon it. As these recommendations introduced some matters of great importance, I reproduce the more pertinent published ones:

1 — The Diplomatic Corps should take steps to have the Chinese customs established at Tairen (Dalny), with a view to preventing Japanese commodities from being imported to various places in Manchuria without the payment of import duties and *likin*.

2 — That necessary steps be taken to put a stop to the illegal trade conducted in Manchuria through the Korean frontier.

3 — That the Chinese Government be advised to take steps to remove the obstacles placed on the junk trade on the Liao river, on account of the railway bridge thrown across the river by the Japanese authorities.

This leads to examination of conditions under which foreign commodities are presumed to enter Manchuria. Being a part of China, the Chinese customs treaty applies. Prior to the late war there was but one maritime custom house in Manchuria, Newchwang then being the only treaty port which actually had been opened. So dutiable goods entering the country, except those coming through the Siberian land frontier and those introduced by smugglers, passed through the custom house at Newchwang. When a concession was granted for Russia to build a railway through Manchuria, it was provided that custom houses should be established upon the Russian frontier; but in the disorderly times that followed nothing was done toward carrying out this provision, and it then remained to be adjusted. However, under conditions as they formerly existed, it was a matter of small practical importance, as trade across the Sibe-

rian frontier was not of a character seriously to compete with foreign trade entering the country from the south. So, although the question periodically cropped up, there was no strong pressure from any source to compel action.

With the advent of the Japanese the situation, in respect to southern Manchuria, entirely changed. All of Korea and some parts of Manchuria have been occupied by them for four years now, which is long enough to permit some reasonable conclusions to be drawn about Japan's commercial policy. Basing my opinion on a study of conditions, and as diligent inquiry as I was able to make, I am convinced that almost from the moment a locality was occupied by Japanese armies it was the deliberate and calculated effort of Japan to use her possession of these territories to establish and advance her commercial interests. In order to do this she excluded as far as was possible all competitors both actual and prospective, while at the same time throwing open the country to her own nationals. She impeded by innumerable petty devices, usually cloaked by a pretense of military necessity, the ingress and transport in Manchuria of foreign commodities which have long had a large sale there, and which were required for uses of the Chinese population; and while such foreign commodities as were permitted to enter passed through the Chinese custom house, similar commodities from Japan were permitted to enter duty free through Dalny and Antung.

As Japanese authorities in Manchuria and the Government at Tokyo deny that Japanese merchandise was brought into Manchuria free of tariff, it is, of course, not possible to obtain exact information of the extent of this evasion; but it positively is known to be considerable. When protests were made by foreigners who felt that this kind of competition is illegal and unfair, the Japa-

nese authorities at first replied that importation of supplies through Port Arthur, Dalny and Antung was solely for military uses, and that they were not of a commercial character; then, when withdrawal of the greater part of the army has invalidated this excuse, the usual reply is a general denial. Early in 1906 the Foreign Chamber of Commerce of Newchwang addressed the foreign consular body there, protesting against a number of handicaps upon internal trade in Manchuria alleged to have been imposed by the Japanese authorities; and also protested against the importation of Japanese goods duty free through Dalny and Korea. It is hardly to be presumed that these foreign business houses, which generally had been sympathetic to Japan, and with long-established trade in the country and excellent sources of information, were making an outcry about nothing.

Restrictions upon internal trade complained of by other foreign merchants, and also by Chinese officials, usually arise out of irregularities in connection with or evasion of the *likin*. From the time they occupied the country the Japanese paid no attention, either officially or privately, to local tax regulations. It is interesting to examine some effects of this disposition, particularly upon Chinese commercial classes. The *likin*, which is universal throughout China, is analogous to municipal, county and township taxes in America, or *octroi* in some European countries, in that it is for the purpose of raising local revenues apart from those imposed by national and provincial administrations, although some part of it usually finds its way to higher quarters. The system is complex, wasteful and full of abuses; but fuller discussion of it is not needed in this connection. Some of its methods, especially in larger municipalities, correspond to the licensing system so generally employed in

Europe and America. Japanese traders who swarmed into Manchuria in the trail of the armies, and who have been greatly augmented since the war ended, consistently refused to pay *likin* from the beginning. At first, or as soon as something like order was restored after a locality had been swept by the battle zone, local Chinese officials made attempts to collect taxes from Japanese traders, and upon refusal made representations to the military authorities; who invariably either ignored the matter or sustained their own nationals. So the condition became established, and Chinese officials have since then usually contented themselves by making an occasional demand for form's sake.

But the Chinese trader still has to pay his taxes, which puts him at a disadvantage with his Japanese competitor. In every town and city in southern Manchuria can be seen Japanese shops doing business alongside Chinese stores, and selling practically the same commodities. To the extent that these articles are of foreign origin, the Japanese trader often has the advantage of offering a similar article made in Japan, and which has been imported free of duty, and, perhaps also free of transport charges; and he is free from local taxation, which in this, as in most countries, is an appreciable burden upon commerce. It is no wonder that Chinese regard this new competitor with concern, which is not lessened by the fact that in some cases Japanese also are living rent free through having usurped the premises of Chinese. I know a case in Moukden where part of the house of a Chinese merchant was occupied by Japanese traders selling similar commodities under the following circumstances: Just prior to the battle of Moukden the owner, desiring to get his family to a place of safety, took it to Tsinmintun and down into China proper, outside the area of hostilities.

When he returned the city was taken by the Japanese army, and he found a portion of his property occupied by Japanese traders. He tried to get them to vacate, but failed, and his protests to the Japanese authorities were unavailing. So he effected a compromise with the Japanese traders by permitting them to remain in a part of his building fronting on the street, where they still were when I was last in Moukden. I could give many such instances, and worse, for in this case the Chinese managed to regain possession of most of his premises, while in many similar situations Chinese owners have lost their property altogether, and sometimes lost their lives trying to recover it.

The Japanese immigration which poured into Manchuria during and immediately after the war also deserves some notice, on account of its political and social phases. It was not, until quite recently, possible to obtain accurate figures bearing upon the extent of this immigration of the civilian class, but fairly reliable estimates made in 1906 placed it from 40,000 to 60,000 in the region under Japan's administration. The greater number of these immigrants settled in larger cities along the railway lines, but thousands penetrated the interior and became domiciled in remoter towns and villages. These male settlers almost entirely are shopkeepers and artisans in so far as they have regular occupations; but a large proportion simply are adventurers, ne'er-do-wells at home, who came in the hope of quickly making a fortune in Manchuria, which has been represented in Japan as a country of marvelous wealth. In discussing some moral aspects of Japanese occupation with an English missionary of world-wide reputation, who has resided in Manchuria for many years and was there through the entire period embracing the Russian occupation and

the war, I found him in a rather gloomy frame of mind. Among other things, he said:

"I am very much disappointed at some results of Japanese administration. Its general effect has been decidedly to lower the moral standards of Chinese life. The conditions under which the people have been compelled to exist, the necessity for constant evasion and lying to save their lives and property, the deteriorating commercial influence of Japanese traders who are supported in their pretensions by the military authorities, the uncertainty of obtaining justice from Japanese military courts, and the presence of thousands of Japanese men of low character and immoral Japanese women, who openly ply their avocation in the streets of the cities and towns, are corrupting influences new to the country, or only felt before in a limited degree."

Since the moral betterments presumed to follow an extension of Japanese influence and authority in Asia have been kept prominently to the fore in western discussion of probabilities, this opinion of an unprejudiced observer has considerable interest and significance. Delicate as this subject of Japanese women in Manchuria is, it is hard to omit it from any comprehensive and candid discussion of conditions. It confronts one at every turn, about the railway stations and in the streets. Next to the soldiery and the commercial advertisements with which they have plastered the country, it is the most obvious indication of Japanese occupation. Its extent may be appreciated when I say that, from the best information I could obtain, coupled with my own observation, probably one-fourth of the civilian Japanese population in Manchuria belongs to this class. That this assertion may not lack support, I quote from a leading foreign newspaper

in Japan, whose proprietor is married to a Japanese lady and has long lived happily with her:

"We have at all times considered it our duty to defend Japanese women against the charges of immorality emanating from globe-trotters and others who have sought immorality in Japan and who, of course, found it. . . . The depths to which women can and do sink in the West . . . are, fortunately, still unknown in Japan.

"But in spite of this we are not ourselves blind to the fact that the whole Far East swarms with Japanese prostitutes, so that the following paragraph from the *China Gazette* is only one of many of a similar character that have appeared in the press of the Far East:

"There are over five thousand immoral Japanese women in and around Newchwang, mostly living among the Chinese and the Japanese soldiery. Other parts of Manchuria are similarly and systematically worked by thousands of these enterprising bearers of the glorious banner of Dai Nippon in darkest but formerly moral Manchuria. The people of the country must be sorely puzzled to know what to make of this development of western civilization and enlightenment as taught by Japan."

"This is a disgraceful condition of affairs for which the Japanese Government must accept the blame. We hear so much about 'bushido' (whatever it may be), Japanese loyalty, chivalry, Japanese sensitiveness to criticism, etc.; but here we have, at least with the tacit consent, if not with the actual connivance of the Japanese Government, whole provinces of a neighboring continent that have passed under Japanese control overrun by thousands of immoral Japanese women, who are inveigled,

forced or sold into infamous slavery by Japanese men . . .; for it is safe to say that not one Japanese woman out of a thousand would of her own account go to a foreign country . . ., and that not one of a thousand has the means to enter upon such a course of adventure. Nor would the dealers who carry on and control the trade in Japanese girls permit one to do so. Has the Japanese press nothing to say on the subject?"

It should be stated that the *China Gazette*, a quotation from which is included in this criticism, is sympathetic to Russia, and quick to seize an opportunity to hurl a stone at Japan; and I think the number of women it mentions is greatly exaggerated, so far as applies to the stated locality. That the general condition so severely arraigned by the writer exists there can be no doubt; and when circumstances which have attended immigration into Manchuria during and since the war are considered, it is difficult for the Japanese Government to acquit itself of complicity in this matter. It is idle to say that it could not have prevented such immigration.

While China, in fencing for diplomatic points, lays some stress upon this special condition, I think Chinese statesmen are more concerned about certain political aspects of the Japanese immigration. The last agreement with Japan provides for opening a number of new ports where foreigners may reside, and it is fair to presume that a majority of Japanese immigrants will settle in these places by choice. Many, however, already are established in other localities, where they show a disposition to remain. China has insisted that, after the period of Japanese occupation expires, Japanese shall only be permitted to reside at treaty ports, as is the case with foreigners elsewhere in China; or if they do reside out-

side such ports extra-territorial jurisdiction over them by Japan shall not locally apply. Japan seems to be reluctant to concede this, and apparently desires to retain jurisdiction over all her nationals who may choose to live in Manchuria. Here is a matter that touches China's vitals, not only in Manchuria, but in the whole Empire.

This propensity of Japanese immigrants is worrying Chinese in connection with the opening of new treaty ports. There is delay in locating the foreign settlements, for which China chiefly has been blamed. It appears, however, that this is partly due to indisposition of Japanese to segregate themselves within specified limits, they preferring to remain where they first located, scattered here and there. No exact division of jurisdiction is possible without geographical limitation, and China fears that such a status will result in extension of foreign jurisprudence over the entire country, creating endless opportunity for interference in local affairs. So China is disinclined to proceed with the opening of new foreign settlements until occupation has entirely ended, and has advanced various and usually immaterial excuses for delay. Here, again, it should be kept in mind that any adjustment must, in reason, apply also to territory now under Russian control.

CHAPTER XVIII

THE OPEN DOOR IN MANCHURIA — *Continued*

COMMERCIAL EFFECTS OF JAPANESE ADMINISTRATION UPON THE CHINESE — GOVERNMENTAL AID TO JAPANESE IMMIGRANTS — PETTY JAPANESE TRADERS — THEIR REAL FUNCTION — AUXILIARIES OF THE GREAT JAPANESE FIRMS — THE MITSUI BUSSAN KAISHA — EFFECTS OF JAPANESE EVASION OF THE LIKIN — CHINESE COLLECTORS EJECTED — CORNERING THE BEAN CAKE — DISCRIMINATION AGAINST FOREIGN FIRMS — SOME PERTINENT EXAMPLES — EXPERIENCES OF AN AMERICAN FIRM — JAPANESE COUNTERFEITS AND IMITATIONS — JAPANESE MANIPULATION OF THE CURRENCY — THE YOKOHAMA SPECIE BANK — JAPAN'S USE OF DALNY.

To many readers of these comments the effects of Japanese evasions of internal commercial regulations upon other foreign interests in the country will, perhaps, outweigh their effects upon Chinese. While many Japanese traders came to Manchuria on their own initiative and operate independently, a majority of those now there really are agents of large Japanese commercial firms, which are backed by the Government. As a rule, these small traders have not the means to emigrate, or to purchase and import stocks of merchandise. As I have shown, the Government often has provided them with means for getting to Manchuria, and with some capital and credit. But while this assistance of the Government is given the outward form of an endeavor to help Japanese of all classes to make a beginning in a new coun-

try, it really is, when analyzed, a scheme to aid big Japanese corporations associated with the Government to exploit Manchuria. In conditions surrounding the extension of assistance by the Government, some minor regulations clearly indicate this fundamental intent; such as limitation of interest rebate to firms doing a minimum business of Yen 5,000,000 a year. Since none but great firms can hope to do as large a business, it is evident that the small merchant will not get the benefit of this provision. The Mitsui Bussan Kaisha, entrusted by the Government and guilds with supervision of the national exploitation scheme in Manchuria, had established itself there before the war; and almost immediately after the armies dislodged the Russians, it took steps to extend its relations. This company now covers southern Manchuria with a web of branch houses and minor agents, which work hand in glove with the Japanese authorities, and are abetted and supported by them on every possible occasion, and in every practical way. It is impossible, in any intelligent estimation of commercial forces at work there, to ignore or minimize the relation between the Japanese Government and leading Japanese financial, industrial and commercial enterprises; which frequently are so close as almost to make them identical.

I gathered during my visit in 1906 so many pointed incidents bearing upon internal trade conditions in southern Manchuria during the Japanese military régime that it is not feasible specifically to refer to all of them; but a few may serve to illustrate some elements of the situation. There is a *likin* upon foreign commodities traversing the interior, and there are stations where *likin* is collected, as elsewhere in China. During Japanese occupation this *likin* has been enforced as usual upon foreign goods, except Japanese articles, which are exempted by reason

of the same general policy that exempts Japanese subjects from ordinary processes of Chinese law. Until quite recently, since it was announced to the world that Chinese local autonomy is restored, and an attempt made to give some outward evidences of this change, Japanese commercial houses operating in Manchuria were open and bold in defying Chinese regulations. On some commodities produced in Manchuria there is an export *likin*, as bean cake and bean products. Japan is the largest consumer of these products, as it happens, and exportation of bean cake to Japan has in the past been handled by foreign and Chinese merchant and shipping firms. Chief among Japanese competitors for this business, in the mercantile and transportation fields, are the Mitsui Bussan Kaisha and two of the great Japanese shipping companies. During the war, owing to extraordinary conditions, there was difficulty about marketing bean products, and so when peace came practically two crops had accumulated and were awaiting shipment. The movement of these bean products has always been to the south, down the Liao river, or by cart in winter. Soon after the Japanese occupation of Moukden and Tieling, which is a center for the bean trade, the Mitsui Bussan Kaisha sent agents through the country to buy bean cake, which was brought to Newchwang and shipped to Japan, it is alleged, without *likin* being paid. As this method gave the Mitsui company an advantage over other exporting firms which had to pay the tax, it quickly attracted attention, and a demand was made upon Chinese officials that the *likin* on bean products be rescinded until normal conditions are restored, so as to place Chinese and other foreign exporters on equality with Japanese. When the Japanese authorities learned of this demand, they refused to permit any modification of the regulations, and denied that

Japanese exporters were not paying *likin*. There seems to be little reason to doubt, however, that a large quantity of bean cake purchased by the Mitsui Company was moved without paying this tax, although after the complaint of the other exporters and shippers the violation of Chinese regulations was not so open.

While I was in Moukden in 1906, Chinese officials, in order, perhaps, to see how far their "restored" authority really extended, sent a *likin* collector to a Japanese store to demand payment of the tax upon certain foreign commodities in which it did a large business. This store, although ostensibly conducted as a private business, is a branch of the Mitsui Bussan Kaisha; and the collector was promptly ejected from the place. A complaint to the Japanese authorities had no practical result. Thus, while southern Manchuria was overrun by small Japanese traders and agents, foreign firms were kept out of the country, and were not permitted to establish agencies until more than a year after the war had ended. The railway stations swarmed with hawkers offering Japanese products, but hawkers of foreign commodities, especially those competing with any of the Japanese Government monopolies or articles for which the great Japanese commercial houses are agents, were not permitted to do business. Since August 1, 1906, when the ban upon foreigners entering the country was removed, and responsible foreign agents could establish themselves and closely watch conditions, protests to the Japanese authorities have led to modification of many of these petty impediments; for complaint by a foreigner, on the ground and fully in possession of the facts, is a different matter from one by a Chinese, and the military authorities were compelled to notice them.

The persistence and unanimity with which the military

authorities have protected Japanese traders and supported them in their evasions and conflicts with local Chinese regulations is understandable only when it is realized that the little trader is part of a system having behind it the Japanese Government, and the greater industrial and commercial interests of the Empire. In selecting a few more examples of objectionable methods employed to advance Japanese trade in Manchuria I will confine them to matters directly involving the Government, so there can be no question as to responsibility for the relation between certain causes and effects. Early in 1906, finding some encouragement in growing manifestations among foreigners of discontent with Japanese administration, the Chinese Government, through its officials, began a series of moves to regain its autonomy, particularly in respect to collection of revenues. This movement assumed various forms, but one significant tendency was to increase *likin* upon foreign commodities sold in the country. The question of *likin* on foreign goods in China has long been an international sore-spot, and many unsuccessful efforts have been made to have it removed; but as long as the condition exists the action of Chinese officials in Manchuria in trying to produce more revenue by this means must be recognized as legitimate, and foreign firms doing business there did not at first protest. It soon developed that the new *likin* was having results invidiously detrimental to some foreign interests in contradistinction to others.

In May, 1906, the Chinese began to levy an increased *likin* upon tobacco products sold in Manchuria. The tax was raised from two to five per cent. ad valorem, or more than doubled. The tobacco business in Manchuria was, before the war, largely controlled by the British-American Tobacco Company. As a war revenue measure, and what has proved to be the forerunner of a national in-

dustrial ownership policy, the Japanese Government compelled the British-American Company to sell to the Government its factories in Japan, which then supplied a considerable part of the Far Eastern demand. Thus deprived of a large output, the British-American Company began erection of factories in China, and is now again ready to meet the requirements of its trade in eastern Asia. But it has a competitor in the Japanese Government Tobacco Monopoly, which is making an energetic campaign in China, and particularly in Manchuria. During the year which followed the making of peace, the British-American Company made efforts to resuscitate its business there, but found that it encountered obstacles on every hand. Except a foreign superintendent in Newchwang, the trade always had been supplied through Chinese agents distributed over the country, who put products in the hands of retail merchants. In China tobacco products consumed by the lower classes, which constitutes a great proportion of the business, usually are sold by peddlers, or hawkers, who are to be seen everywhere. All persons who have visited China must have noticed how important this peddling system is in the internal commerce of the Empire, and how closely it touches the life of the people. The coolie buys his food from a peddler, his occasional beverage from another, his bit of sweetmeat from another, his cigarettes from still another, all in the course of a single day, and when the money and desire happen to be possessed at the same time. Hawkers are supplied by retail merchants, who issue goods to them in small quantities from day to day.

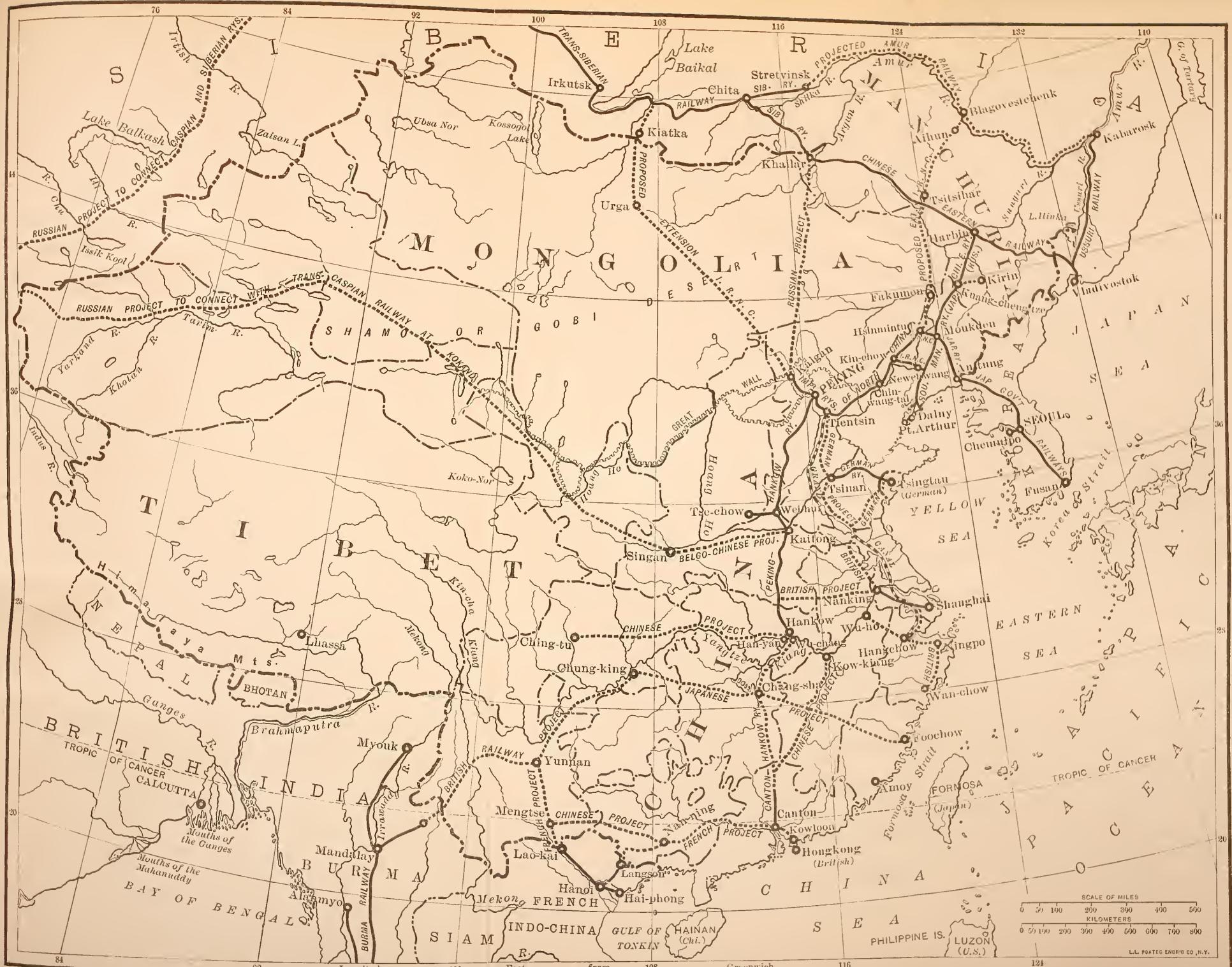
Japanese military administration of southern Manchuria had not continued for long when complaints began to reach managers of the British-American Tobacco Company in Shanghai that their Chinese agents in Man-

churia were having trouble. Hawkers of their products were not permitted about railway stations or other places occupied and directly controlled by Japanese, and many hawkers were maltreated and threatened by Japanese roughs. It became evident that a campaign of intimidation against native vendors of British-American brands was systematically being carried out; and it even was extended to the shopkeepers. Meanwhile products of the Japanese Government Tobacco Monopoly were being energetically pushed, usually by Japanese traders, but in many cases by Chinese merchants who were induced to accept agencies. Native agents of the British-American Company quickly felt the effects of this movement, and soon found themselves seriously handicapped. When representations were made to the Japanese authorities, they denied that such conditions existed, and at first refused to allow a foreign representative of the British-American firm to travel in the country to investigate and look after its interests.

It will be noted that this case is peculiarly significant in several ways. The foreign business firm affected is jointly composed of persons of the two nationalities which might above all others be presumed to receive favorable treatment from Japanese if such treatment was accorded to any, and is in a position to exert a powerful influence in its behalf; and the competitive concern is not only of Japanese nationality, but *is the Japanese Government*. Finally, after a lapse of months during which these methods steadily were employed, permission was granted to a foreign agent of the British-American Company to travel in Manchuria; who made a report to his organization fully confirming the charges of unfair discrimination. This agent was born in Newchwang, speaks Chinese fluently, and probably no living white man is in closer touch with



Map of National Political Strategy Involved.



Map of Railway Development in the Chinese Empire and contiguous Territories. Illustrating the International Political Strategy Involved.

L.L. PRATES ENGRG CO., N.Y.

Chinese in Manchuria, or has greater familiarity with conditions in the country, and he moreover is a man of good social and business standing in the foreign community of north China.

Upon representations privately made by British diplomats in Peking and Tokyo, some of the more open and offensive methods were abandoned, and under energetic treatment the business of the British-American Company began to revive with extraordinary rapidity, conclusively showing that no disinclination to use its products, or to prefer those offered by its competitor, had been the cause of previous falling off in business. The company was congratulating itself that the worst was over, and that in the future it would have a fair chance, when the increase of *likin* upon tobacco was ordered. During this time the products of the British-American Company had been compelled to pay the usual *likin*, while the Japanese article had not. The increase in the tax was first put into effect in May, 1906, at Tieling, an important city near the northern boundary of the Japanese sphere. Chinese agents of the British-American Company soon informed its superintendent in Newchwang that Chinese officials were collecting the increased tax from them, but were collecting nothing from agents of the Japanese Government Tobacco Monopoly. As soon as he could get a passport from the military authorities, which took some time, the superintendent went to Tieling to investigate the situation. He at once instructed his agents to refuse to pay the extra tax, and any *likin* at all unless it also was collected from Japanese dealers; whereupon a feeble attempt was made to collect from a principal Japanese agent, who summoned Japanese soldiers and had the collector ejected. The superintendent of the British-American Company then formally notified the Taotai that he

had instructed its agents not to pay the tax until it was also collected from Japanese, and if they were further molested the matter would be taken up at Peking. The Taotai was in a quandary, and told the superintendent that collection of the tax would be suspended pending adjustment of the matter. Later the Taotai sent word to the superintendent that he had put the tax into effect under orders from the Japanese military authorities, who bullied him upon every possible occasion. When he returned to Newchwang the superintendent made an emphatic protest to the superior Japanese authorities, who assured him that it was an error to presume that the Japanese Tobacco Monopoly does not pay *likin*, as it was paid under a private arrangement between the two governments, in adjusting the many matters at issue concerning their relations. There the matter stood for several months, at a sort of dead-lock, neither side paying the tax, which was for the time nullified, with China quite helpless to enforce payment.

Another phase of commercial competition which Japanese have introduced into Manchuria, is imitation and counterfeit of other foreign-made articles. These imitations are numerous, but I will here revive this matter only to mention a case directly involving the Japanese Government, and which follows naturally upon questions I have just discussed. In 1906 I purchased in a street in Moukden, from two Chinese hawkers near together, two packages of cigarettes. One is a "chop" manufactured by the British-American Tobacco Company, and the other states on its face that it is a product of a factory of the Japanese Government Tobacco Monopoly. The British-American brand is one that has been sold in China for years, and was formerly made in the Japan factories of the company. It has an enormous sale in the Far East, and is

probably the best advertised cigarette in eastern Asia. The other package is a brand that made its appearance in the market since the Japanese occupation of Manchuria. This alleged Japanese "chop" belongs in the category of imitations, rather than counterfeits; for the imitation is not in all points exact, for enough minor differences have been inserted to give a little foundation for the contention that the similarity was unintentional. Difference in the exterior of these packages are so slight that they seem identical to casual inspection, even to one who reads English, while to a Chinese coolie who may buy them, and who judges only by appearance, since he cannot read, the divergences are too slight to be obvious. The coolies, who are somewhat wary, have a habit of counting the letters in a printed line for comparison, but they usually depend upon the picture, which in this instance was almost identical. On the reverse side of the British-American package appears the words "prize medals" under a row of medals. On the reverse side of the Japanese package appears, also under a row of medals, this legend: "ptrade marks." By counting the letters in each line they will be found to number eleven. This can hardly be taken for an accidental coincidence, as the pre-fixing of the letter P to the words "trade marks" is not an ordinary typographical error. There is not the same similarity in the contents of the packages. The British-American "chop" is a fair quality of cheap cigarettes; while the other package contains cigarettes of the meanest quality put upon even this cheap market. Thus it is evident that the purpose of this imitation is not so much to compete with the well-known brand of the British-American Company, as to ruin its reputation with consumers, which certainly will be the tendency of its introduction. Circumstances surrounding the manufacture of cigarettes

in Japan, and attending the introduction of foreign products into Manchuria, are such that it is hard to believe that the Japanese Government is not party to this imposition. Under present conditions these are matters to be taken up by the British-American Company with the Chinese, not the Japanese Government; and as the Chinese Government can deny, with probable truth, any responsibility for the condition, it is not easy to secure equitable adjustment.

These imitation packages were on sale in southern Manchuria for over a year, and Chinese agents and dealers of the British-American Tobacco Company informed their superintendent that hawkers employed by the Japanese Government Monopoly, and provided with the imitation packages, were instructed to establish themselves alongside hawkers of British-American products, so that casual customers for this "chop" might have equal opportunity to procure the imitation. After I had noticed this matter, I took pains to observe the trays of cigarette hawkers who are employed by the Japanese monopoly, particularly those about the railway, and almost all of them exhibited this imitation article, and seemed to be pushing it particularly. Although I procured counterfeits and imitations of many other staple American, and of some German and British commodities, which were being pushed into the market in Manchuria, I have sufficiently illustrated the point involved, and will pass to other phases.

A factor of great importance in the commercial life of any country is its currency; and in Manchuria under the Japanese régime it has played a significant part. I have called attention in a previous work¹ to impositions upon Chinese inhabitants which accompanied the introduction of the Japanese "war note" and the enforced retirement of

¹ The New Far East.

the trouble. Irritating to the Chinese as that incident was, it had only transitory effect, and has been relegated to the profit and loss account of Japanese administration. As the passage of war conditions permitted revival of trade, and produced a tendency to revert to normal methods of transacting business, Japanese control of local currency became more important, until it assumed prominence among elements which operated to Japan's advantage in her commercial exploitation of the country. It was influential in causing a crisis among Chinese bankers in 1906, and is alleged to have caused the failure of several Chinese mercantile firms. Stagnation in foreign commodities which have had a large sale in Manchuria for many years, particularly some American products, led to inquiries, as I have already recited, and special investigations with a view to finding where the trouble lay. Among these investigators was the agent for a large English and American firm, who reported upon certain conditions. It may be stated that the writer of this report was for years employed in a foreign bank doing a large business in Manchuria, and is regarded as the leading foreign expert on the money system of this part of the Empire. I here give some extracts from his report, which was made in 1906, withholding the name of the writer because his communication to his firm was confidential.

"The chief cause for this stagnation is the lack of a stable currency throughout Manchuria, issued and under the control of a government bank which has no other object in view than the general bettering of trade conditions. The 'war note' which was forced into circulation by the Japanese Government during the war takes a prominent place among the various current effectives now in vogue.

The regulating of exchange between the 'war notes' and other current effectives in Manchuria is practically in the hands of the Yokohama Specie Bank, unless the 'war notes' are shipped to Japan; and as there is no other competition in this line of business, the rates quoted by the Yokohama Specie Bank practically govern the 'war note' exchange market. It is stated that there have been fifty millions of 'war notes' put into circulation. Assuming these figures to be authentic, we see that the Japanese Government has the power to control the financing of a business amounting to fifty million yen, or whatever the circulation of the 'war note' may be. For the past few months the Japanese Government has been calling in the 'war notes' through the Yokohama Specie Bank. In their place the Yokohama Specie Bank is issuing its own dollar notes, payable in local currency. These notes are valued at par with the 'war notes,' but the Yokohama Specie Bank redeems them not in 'war notes,' but in other current effectives on the basis of the 'war note' rate of exchange. Presumably then, the 'war note' is considered by the bank as local currency; but it will be interesting to see what the Japanese authorities will consider to be local currency, on which to base the value of the Yokohama Specie Bank notes when the 'war notes' are withdrawn from circulation.

"Judging from this it seems that the 'war note' in Manchuria will be replaced by a dollar note currency, to all intents and purposes the same as the 'war note,' with the difference that instead of being issued by the Japanese Government it will be issued by the Yokohama Specie Bank, payable in local currency which has not yet been defined, with one banking institution to decide the rate of exchange between it and other current effectives."

I find in this report some comment which throws additional light upon the question of alleged Japanese evasion of Chinese customs and taxes.

"While on a visit to Port Arthur and Dalny I made a thorough investigation of this matter, and satisfied myself on the point that no duty is being charged on Japanese goods imported from Japan, while the so-called coast trade duty is being charged on all other goods imported into Dalny, irrespective of whether these goods are of foreign or native (Chinese) manufacture. This duty at Dalny on a certain class of goods, compared with the regulation coast trade duty charged at Newchwang, is about twenty times as much."

To one unacquainted with financial conditions in China, the matter of "exchange" there is baffling and irritating, and to master its intricacies is beyond the time and patience of ordinary sojourners, even of many residents. Yet it is inextricably interwoven with business affairs of the country, and its effects cannot be avoided even by the casual tourist. Each section of the Empire has its own currency system, and of these none is more complicated than that which has prevailed in Manchuria, where, in addition to vagaries of Chinese processes, have been introduced, from time to time, currencies injected by pressure of foreign military power. Among these extraneous currencies is the Japanese 'war note' referred to in the report quoted, and notes of the Yokohama Specie Bank which were substituted for them. The monetary unit in China is a "*tael*," but as there is no such thing as a *tael* or any multiple of it in circulation, business is transacted in any kind of money or bills of exchange, whose value in *taels* is computed by

the banks. Exchange lists are issued daily by banks in the commercial centers, and the business of the day regulated by these lists, which frequently slightly vary as different banks are "long" or "short" of any particular currency, or as the "demand" for certain currencies is lively or slack. Frequently exchange will fluctuate considerably between opening and closing hours of business, and traders must constantly be alert to avoid losing in their transactions by rise or fall of current effectives. The abuses which lurk in the system are obvious enough, but are reduced to a minimum when several banks are competing for business. These conditions, in a narrower and more circumscribed latitude, obtain in financial centers of America and Europe, and are familiar, in respect to their working principle, to business men everywhere.

One of the first administrative acts of the Japanese Government in Manchuria was to create a condition which placed almost entirely in its hands control of the circulating medium, through issuance of a currency created and regulated by it, and elimination of the restraining force of financial competition. The direct means employed is the Yokohama Specie Bank, which is fiscal agent of the Japanese Government in Manchuria. The Russo-Chinese Bank, the only other important bank directly operating there before the war, was driven out of business in southern Manchuria by the Japanese occupation, for a time leaving the field to the Yokohama Specie Bank. I think I have made sufficiently clear the relations of such institutions to the Japanese Government, and their mutual affiliation to advance the national interests. Recognizing this, the possible advantages of this condition to Japanese trading firms in Manchuria will be seen. For instance, if the Mitsui Bussan Kaisha is buying or selling a certain article in the market, the transac-

tion equally will affect the person or firm it makes the trade with. And if the Mitsui Bussan Kaisha is in a position to have special information, or to influence the rates of exchange on current effectives, it has an advantage over persons or entities it does business with, and also over its competitors in the same field. Under conditions that prevailed during eighteen months which followed the war, and which still exist in a lesser degree, the Yokohama Specie Bank, which in this case means the Japanese Government, could almost absolutely fix the daily rate of exchange. In parts of Manchuria during this period the "transfer tael," which is the basis of ordinary commercial transactions, frequently fluctuated as much as twenty per cent. in a week, owing to arbitrary action of the Yokohama Specie Bank in manipulating the "demand" for "war notes," then the chief circulating medium. It is said that the Mitsui Bussan Kaisha, and other large Japanese trading companies, have not once been on the wrong side of exchange when it was thus cavorting up and down; and this is not less significant because its identity in transactions may be, and often is obscured by relays of agents, or middlemen, many of whom are Chinese. That such a situation gives Japanese commercial interests a whip-hand in Manchuria will not, I think, be disputed by anyone familiar with business methods, and it might be used (and has been there) to drive competitors out of business.

To illustrate how this matter of money exchange may operate in a business transaction in Manchuria under these conditions, we may suppose that a Chinese firm contracts with the Mitsui Bussan Kaisha to take a hundred thousand bags of flour, to be delivered on a date fixed, at a price in "transfer taels." As the "transfer tael" is a purely fictitious monetary unit, issued usually as a three

months credit, the Chinese merchant probably will sign a bill of exchange for the amount, which may be placed in a bank and discounted pending its falling due. But whether he issues a bill of exchange or not, when the day for payment comes he must go into the financial market and purchase "transfer taels" to meet his obligation. If he finds that "transfer taels" have risen five per cent., this means that he has to pay five per cent. more than he anticipated. Or to reverse the transaction, suppose the Mitsui Bussan Kaisha contracts with a Chinese or foreign firm to buy a hundred thousand *piculs* of bean cake, to be delivered on a stated date, at a fixed price in "transfer taels." The Chinese house may purchase largely to fill the order, figuring on turning the commodity over at a small margin of profit. When time for settlement comes the "transfer tael" may have dropped ten per cent.; which means that he will receive ten per cent. less than he expected. Nothing in either of these imaginary cases would be affected if "war notes" or any other current effectives were substituted as the basis of settlement. These conditions add greatly to business risks everywhere in China, but under ordinary circumstances the merchant is willing to take his chances on being on the right side of exchange when settlement time comes, and where there is strong banking competition he will, with prudence, come out even on the average. But in Manchuria during the Japanese regime, Chinese and foreign merchants claim that they have not a chance to break even on exchange, and that it has been habitually manipulated against them in the interests of Japanese firms; a condition for a time made possible by control of the chief circulating medium, and by a practical monopoly of large banking facilities. This condition affects almost entirely, in its direct results, the commercial class; and independent

Japanese traders sometimes get caught, as they cannot all be under cover when a "jump" in exchange takes place. In such cases small fry Japanese are left to take their chances, but a disposition to protect them whenever possible has often been clearly shown. It is openly alleged in Newchwang and other cities in Manchuria that small Japanese traders are given better rates of exchange by the Yokohama Specie Bank than other foreigners or Chinese.

It could not be expected that such a state of affairs would continue for long without some effort being made to counteract it, and when Chinese authorities were permitted to resume some of their administrative functions in the interior, there appeared a paper currency issued by the Chinese Government Bank in Moukden, payable in "small coin dollars." This currency, unstable as it is, offered some relief from the Yokohama Specie Bank monopoly, and it was readily accepted by the people. In order to aid in establishing this currency, several prominent foreign *hongs* doing extensive business in Manchuria began to make selling and buying prices in "small coin dollars." It is doubtful if any single measure of the Japanese military government in Manchuria has been more unpopular than its currency regulations. In some comment I noticed in Japanese newspapers, defending the course of the Government in this matter, it was claimed that abuses which might have occurred were actions of private parties, and that the Government is not directly responsible. As all Japanese administrative machinery in Manchuria has been employed in helping the Yokohama Specie Bank to retain control of the currency, to the extent of making its notes and the "war notes" the only money accepted in connection with operation of the railways, and other enterprises exclusively controlled by Japanese, this contention is not very convincing. When

the new Yokohama Specie Bank note issue with which it replaced the "war note" was put into circulation, the Chinese were inclined to reject it, and reports that it was fiat currency were circulated; whereupon General Oshima issued an official proclamation, in February, 1906, in which he warned Chinese that rumors calculated to impede ready acceptance of the new notes would cause the severe punishment of those who uttered them.

CHAPTER XIX

THE OPEN DOOR IN MANCHURIA — *Concluded*

TEST OF THIS COMMERCIAL PRINCIPLE — ALL PRACTICAL CONDITIONS HERE DEFINED — ACCESSIBILITY OF MANCHURIA — CAUSES FOR TRADE STAGNATION — GRADUAL ALTERATION OF JAPANESE METHODS — DIPLOMATIC PROTESTS — NORMAL CONDITIONS OUTWARDLY RESTORED — PETTY EVASIONS CONTINUED — ATTEMPT TO INJURE NEWCHWANG — JAPANESE RAILWAY RATE DISCRIMINATIONS — THE FAKUMEN RAILWAY DISPUTE — BASIS OF JAPAN'S OBJECTIONS — ALLEGED SECRET CLAUSE — THE CHINESE VERSION — WEAKNESS OF JAPAN'S POSITION — RELATION OF THE FAKUMEN QUESTION TO THE "OPEN DOOR" PRINCIPLE — JAPAN'S RAILWAYS IN MANCHURIA — THEIR INTERNATIONAL STATUS — KEEPING THE CHINESE RAILWAY OUT OF MOUKDEN — MARKETING FOREIGN PRODUCTS IN MANCHURIA — SITUATION OF JAPANESE TRADERS.

IT is now assured that Manchuria will provide a test case of the "open door" commercial principle as it will in the future be applied in China. Every practical condition which may be presumed to circumscribe and define this proposition is there found clearly expressed, even accentuated; and precedents which may be established by the course of events, and actual or passive assent of interested trading nations, will exert great influence upon, if they do not definitely denote application of the doctrine in all parts of the Empire.

Upon returning to Manchuria in 1908 I found some changes. Until quite recently foreign trade passed in

and out of the country chiefly through Newchwang, which port at one time almost monopolized the import and export business of these provinces. The building of the Trans-Siberian railway gave Vladivostok access to the interior; the Chinese Eastern Railway developed Port Arthur and Dalny; the Antung-Moukden railway gives direct communication with Korea; while extension of the Imperial Railways of North China to Newchwang, Tsinmintun and Moukden has provided another inlet; so that to-day Manchuria is the most accessible part of China so far as transportation facilities are concerned. No other part of the Empire has so many treaty ports, and in no other provinces have the people had so much contact with foreigners, the prolonged Russian and Japanese occupations and the China-Japan and Russo-Japan wars having completely broken through the isolation and provincialism which formerly existed. In some respects Manchuria is the most progressive and advanced part of China outside the larger treaty ports, and presents more favorable present opportunity for development.

Yet in three years which followed the Russo-Japanese war the trade in Manchuria of foreign nations, excepting Japan and Russia, materially declined. Russia's trade always has been inconsiderable and remains about as it was, and Japan's trade shows an increase. The trade of the United States has fallen off, but still holds second place. In proportion to our total trade in China, Manchuria has been the best market for American products.

It is not always easy to determine causes for sudden shifts in the balance of international trade, but in Manchuria some reasons are obvious. The war naturally caused partial commercial closure of the country while it continued. But the war ended more than three years ago, and a revival of business usually follows a period of hos-



NEW CHINESE ADMINISTRATION BUILDING, MOUKDEN.



NEW CHINESE SCHOOL BUILDING, MOUKDEN.

tilities. For more than a year after peace was declared the Japanese military authorities, having control of commonly used avenues of ingress to Manchuria, practically estopped all foreign trade except their own from entering the country, and used this interval, by methods I have partly reviewed, to establish and promote Japanese trade. Not until complaints and protests of other foreign firms began to reach their governments did Japan modify this policy, then slowly, as pressure was put upon her, she has abandoned the more obvious and irritating discriminations.

A history of the promotion of Japanese trade in Manchuria is interesting as illustration of what a Government can descend to, but may now be dismissed as a period of transition, and the present situation taken up. In certain important respects normal conditions affecting foreign commerce outwardly are restored. Chinese custom houses have been established at Dalny, Port Arthur and Antung; and on the Siberian border; and Russian and Japanese goods are now presumed to pay the import tariff as well as other foreign articles, thus ostensibly removing one method of discrimination. Although there is evidence that Japanese products which reach Korea through Gensan are brought into Manchuria by way of Chien-tao (which Japan has occupied) without duty being paid, it is not likely that any large amount can be economically moved by this route, and such evasions may be placed in the category of ordinary smuggling. It is also alleged that Japanese products enter through Antung without paying duty, but not in large quantities. So it may now be assumed that all foreign products enter Manchuria, in so far as the tariff factor applies, on equal terms.

In regard to the factor of transportation, Japanese products still have considerable advantage in that the

Japanese Government grants special rates for conveyance from Japan by subsidized shipping lines; but this method is of questionable permanent economic value, and is recognized as legitimate. However, Japan owns and operates two railways penetrating into Manchuria: the South Manchurian Railway, which runs from Port Arthur and Dalny to Kwang-cheng-tze, with a branch to Newchwang; and the Antung-Moukden railway, which connects by ferry (a bridge will soon be built) with Japan's railways in Korea. During the Japanese military regime it was notorious that foreign products other than Japanese had great difficulty in getting transported on any terms, and often practically were refused transportation on excuse that cars were not available, or were subjected to such delay that shippers and consignees were seriously handicapped. Complaints against these practices became so frequent and bitter that the administration felt compelled to desist from such transparent discriminations, and they gradually were abandoned for more subtle methods.

Japan has made no secret of her desire to make Dalny the principal port for Manchuria, and for a time this object was openly pursued by striking at Newchwang. Dalny is situated in Japanese leased territory, which means that there Japan has a free hand and absolutely can determine port regulations and the conditions attending movement of cargo. Newchwang is a Chinese treaty port and is now again administered by Chinese authorities, which places Japanese shipping lines and commercial firms on the same footing as competing concerns. For a time the South Manchurian Railway gave a lower rate from points north of Tashihcha, (from where its branch goes to Newchwang,) to Dalny than it gave to Newchwang, although to Dalny is 160 miles longer haul. It also gave a lower rate from Dalny to points north of Tashihcha

than from Newchwang to the same points. Representations by the Newchwang Chamber of Commerce to the foreign consular body there, and through it to Peking, finally induced the South Manchurian Railway to equalize its rates via Dalny and Newchwang, although under ordinary circumstances Newchwang would have a cheaper rate. This matter has another bearing. Newchwang is also a terminus of a branch of the Imperial Railways of North China, which reaches Tsinmintun and Moukden, and which can make a bid for business in a limited territory northward.

With this explanation, the relation of the so-called Fakumen railway question to the principle of the "open door" in Manchuria may easily be understood. In November, 1907, the Chinese Government made a contract with a British firm to have constructed an extension of the Imperial Railways of North China from Tsinmintun, which is now the northern terminus, to Fakumen. This extension had long been contemplated, being a step in the plan to reach the Amur, but its projection was interrupted by the war. When the matter became known at Tokyo, the Japanese minister at Peking was instructed to object to further extension of this line on the ground that it will injure the South Manchurian Railway. The protest of Japan is based upon an alleged clause of a memorandum¹ which purports to be signed minutes of the conferences which attended the negotiation of the Komura—Yuan-shih-k'ai agreement defining the relations between Japan and China, which was signed late in 1905.²

This matter is of great importance, and deserves elucidation. It may be recalled that in Article 4 of the Portsmouth treaty, Russia and Japan "reciprocally engage not to obstruct any general measures common to all coun-

tries which China may take for the development of the commerce and industry of Manchuria." In Article 3 of the same treaty occurs this clause: "The Imperial Government of Russia declare that they have not in Manchuria any territorial advantages or preferential or exclusive concessions in impairment of Chinese sovereignty or inconsistent with the principle of equal opportunity." It should furthermore be remembered in this connection that in respect to the status of the South Manchurian Railway Japan's tenure fundamentally is based upon the original concession granted to the Russo-Chinese Bank, and, consequently, the above declaration of Russia, in a treaty jointly subscribed to by Japan, logically may be expected also to apply to Japan.

Now comes Japan, basing her contention not upon the published convention between her and China defining Japan's status in Manchuria, but upon an alleged secret agreement now claimed to be part of the treaty, and obstructs an undertaking which apparently is calculated "for the development of the commerce and industry of Manchuria." I could not obtain an official copy of this secret memorandum, but I am informed that the significant clause is phrased as follows:

"The Government of China agree, with a view to protecting the South Manchurian Railway, not to construct prior to the recovery by them of the said railway any line in the neighborhood of and parallel to that railway, or any branch line which might be detrimental to the interest of the South Manchurian Railway."

H. E. Tang Shao-yi, Governor of Feng-tien province, acted as secretary to the Chinese negotiators of the Komura—Yuan convention, and attended every session; and from him I learned the following particulars: The above clause was proposed by the Japanese negotiators at a meet-

ing, and subsequently was discussed. The Chinese commissioners objected to the incorporation of the clause in the treaty in that form, pointing out that its phraseology is ambiguous and indefinite; that "in the neighborhood of" and "parallel to," and "which might be detrimental to the interest of" can be stretched to include any conceivable extension of Chinese railways in Manchuria. The Chinese negotiators expressed themselves as willing not directly to invade the territory of the South Manchurian Railway with a view to undermining its business, and suggested that a clause be drafted definitely fixing the distance which would be considered as paralleling it, or one stating that American and European usage shall be considered as applying if any controversy should arise. The Japanese negotiators objected to any more definite phrasing of the clause, suggesting that in such form it might be construed as indicating an intention by Japan to limit China's development of her own territory. The Chinese negotiators declined to assent to the clause in the form proposed, and the discussion was dropped. It consequently did not appear in the treaty. But, as one of the various matters proposed and discussed, it does appear in minutes of the proceedings, which, as is usual under such circumstances, were approved and signed by the plenipotentiaries; and as a part of these minutes Japan now contends that this clause is binding upon China. Thus Japan voluntarily assumes a position before the nations of having induced or coerced China to cede, in a secret agreement, rights in direct contravention of the principle of equal opportunity in Manchuria to which all interested powers are pledged.

Granting for sake of the argument that this secret clause now may properly be read into the treaty, China contends with considerable reason that the proposed ex-

tension is not a violation of it, pointing out the following facts: The nearest point of the proposed line to the South Manchurian Railway is 35 miles distant; the two lines are divided by the Liao river, forming a natural traffic boundary; the trade of the region to be served by the proposed line always has gone and now goes to Tsin-mintun; that in so far as it affects the business of the South Manchurian Railway the proposed extension will operate as a "feeder" rather than a detriment; that the region to be entered now has no railway facilities, that such facilities are necessary for its development, and that in no civilized country in the world would such a line be considered an infringement of another franchise. These arguments cannot easily be refuted; but Japan, nevertheless, objected, and for the time the project is arrested.

If Japan succeeds in enforcing her position it means that China must wait for fifteen years, until she has the right to recover all foreign railways in Manchuria, which is assured by treaty, before beginning construction of the Kirin branch or any projects needed to develop the country. In presenting Japan's position in this matter the Japanese official press frankly admitted that Japan's interpretation of the secret supplementary clauses of the Komura-Yuan convention implies that there cannot be any railway finance or construction in southern Manchuria except under her direction; which is as concrete a contravention to both the spirit and letter of the "open door" principle as well can be conceived. Japan's attitude even warrants suspicion that she is attempting to pave the way to permanently retain her hold in the country, and that when the time to turn the South Manchurian and Antung-Moukden railways over to the management of China comes an excuse will be found for failing to comply with the treaty.

The relation of the Fakumen question to the "open

door" principle is almost self-evident. Should the Imperial Railways of North China be extended to the Amur, with a spur eastward to Kirin, as has long been contemplated, it will provide a direct route by which products can enter or leave Manchuria through the ports of New-chwang and Chin-wang-tao, which is the only port in the Gulf of Liao-yang that is open through the winter. This would make it difficult for Japan to use the South Manchurian Railway as an agency for favoring Japanese trade in the country, as she has done in the past and is still to some extent doing. There is no doubt that Chinese and foreign shippers on the South Manchurian and Antung-Moukden railways have been handicapped in many ways. It is not feasible directly to prove that rebates are given to Japanese shippers, which usually more than amount to a remission of import duty, but in many cases circumstances demonstrate the wholesale existence of this insidious form of discrimination. Chinese and foreign shippers frequently have difficulty in getting cars, sometimes have to wait for weeks, while Japanese competitors are promptly supplied. Invidious detriments like this are hard definitely to fix, but they are annoying, and often seriously handicap trading firms which are compelled by circumstances to ship by Japanese railways. Manchuria easily can provide business for several railway lines, for any line has a tendency to create its own business by developing the country through which it passes and to bring new business to connecting lines; and another rail outlet to the south will mean that the South Manchurian Railway cannot so easily continue to favor Japanese shippers, because other shippers will have an alternative route.

Application of the "open door" principle to the operation of Japanese railways in Manchuria, which all the powers have the right, under the Hay Agreement, to

insist upon, cannot interfere with legitimate encouragement which Japan may wish to extend to her trade there. It evidently is not feasible to prevent Japan from favoring her nationals there in the matter of transportation when she controls several avenues of ingress over their entire route. For instance, Japanese merchandise may pay the open rate over Japanese railways in Manchuria, but no one can object if Japan subsidizes shipping lines to carry such products without charge, or operates a virtual rebate by reducing railway rates in Japan. The result to Japanese shippers will be the same no matter what form the rebate or subsidy may assume. Such encouragement as this eventually will fall upon the taxpayers of Japan, and if they can be induced to tolerate it, foreigners have no legitimate reason to complain. If Japan's fiscal situation can stand the strain, Japan might pursue a policy of transporting Japanese products to all countries free of charge. But when they enter other countries, where Japan is not entitled to preferential treatment, they should be transported and marketed under the same conditions as other foreign products. So in Manchuria other trading nations have a right to insist that Japanese railways afford equal facilities to shippers regardless of nationality, and that they shall not be permitted to establish a transportation monopoly under cover of which subtle forms of discrimination easily can be practiced.

A good example of Japan's attitude is afforded at Moukden. The line of the South Manchurian Railway passes three miles west of the walled city. During the Japanese military occupation a large tract of land lying between the city and the railway station was occupied, in many cases without reimbursing Chinese owners, which now is laid out in a Japanese settlement over which Japan asserts administrative authority. The Japanese military

authorities caused to be built, out of Chinese revenues, a fairly good road between the city and the station, on which now plies a line of horse cars, and which is the only direct traffic avenue available for communication with the city. When the Imperial Railways of North China was extended to Moukden, in 1907, the Chinese authorities wished to establish the station near the city. To do this it is necessary to cross the line of the South Manchurian Railway. When this was proposed the Japanese Government, through its Consul-General at Moukden, positively objected; and so the Chinese station is now a temporary affair just west of the South Manchurian Railway tracks, which lie between the Chinese terminus and the city and virtually cut it off. When I was last in Moukden passengers for the Chinese railway must walk across the tracks and sidings of the Japanese line to reach their trains, and luggage must be carried over by coolies. Freight arriving and leaving Moukden by the Chinese road must be got across the tracks of the Japanese line either by coolies or cart, and part of the time the way is blocked by Japanese trains. Frequently strings of freight vans are left standing for hours while Chinese carts and coolies engaged in transporting freight between the Chinese station and the city are detained. Since such a condition adds greatly to the difficulty of transportation, and consequently to its cost, it operates as a detriment to shippers by the Chinese railway and tends to deflect business to the Japanese line. "By what right does Japan prevent the Chinese line from crossing its right of way to get to Moukden?" does someone ask? One hardly knows. Japan simply objects, and Japanese troops are there to see that her wishes are enforced; while China has not dared to force the issue. Denial to Chinese railways of the right to cross the Japanese line

amounts to specific reservation by Japan to herself of the whole of eastern Manchuria.

There remain to be considered conditions which now attend the marketing of foreign products in Manchuria. During the military occupation thousands of Japanese immigrants settled outside the treaty ports, where they are now engaged in business. This is contrary to the treaties, and Chinese officials have strongly protested, but so far in vain. The Japanese Consul-General at Moukden has refused to interfere with these Japanese traders, and the Chinese authorities have not dared to attempt to exercise police power over them. Japan has taken an attitude entirely disregarding treaty provisions in this matter, and there are indications that she expects to enlist the sympathy of other trading nations. Japanese intimate that this is not a violation of the "open door" principle, and really is an extension of it by opening the whole country to foreign trade. It is true that such a policy would have this effect if other nations, disregarding China's protests and their treaty obligations, also adopted it, and permitted their nationals to locate and do business wherever they choose. But most other nations are inclined to respect their treaties with China; and if an American citizen opens a shop in a non-treaty town his nearest consul, upon representation by the Chinese authorities, promptly will compel him to move. The policy of Japan, therefore, presents to other nations the alternatives of following her example by ignoring their treaties, of assenting to a condition more favorable to Japanese commerce in comparison with their own, or of supporting China against Japan's aggressions. It is probable that if China is compelled to yield in this matter in Manchuria it eventually will mean that she must do the same throughout the Empire.

Meanwhile, the condition exists, and some of its effects are interesting. Japanese immigrants in Manchuria still refused as late as the fall of 1908 to pay *likin* and other local Chinese taxes. Attempts of local Chinese officials to collect these taxes from Japanese invariably have been futile; and Chinese police dared not interfere in such cases, for it would speedily bring a detachment of Japanese troops to the scene and might lead to humiliation of the Chinese officials. Japanese officials in Manchuria and at Tokyo deny that Japanese in Manchuria are accorded more favorable treatment in these matters, but the condition as I have described it extensively exists. When I was last in Manchuria, in 1908, a Japanese merchant in a non-treaty town attempted to secure the agency at that place for a foreign firm by claiming that he can represent it to better advantage than its Chinese agent because he (the Japanese) does not have to pay *likin*. The offer was not accepted, and the incident was reported to the proper authorities, but with no result. Distribution of these Japanese throughout the country might in time contribute to its development if they brought with them a higher commercial morality and better business methods. But quite the opposite is true.

While a steady though slight improvement in the commercial situation is apparent, and in most matters the "open door" technically is observed, its spirit is still violated in many ways. It is not possible longer to remain in doubt about the real policy of Japan; which clearly is to retain as close hold in Manchuria as other nations can be induced to tolerate, and to use this grip, by fair and illegitimate means, to establish Japanese interests in a position of supremacy. As time passes, and special privileges which Japanese immigrants had under the military regime are wholly or in part modified, it becomes

evident that Japanese commerce cannot make much headway in Manchuria, in comparison with that of some other foreign nations, strictly on its merits. There are less Japanese in Manchuria than were there two years ago, an official census in 1908 giving a total of 27,342. Many substantial buildings which were erected in the Japanese settlements are unoccupied. The truth is that Japanese merchants in large numbers have no legitimate basis for existence in China, for Chinese are more astute and reliable traders, and under equal conditions they will more than hold their own. The Tokyo Government realizes that Japanese in China require extraordinary assistance in order to retain the foothold which was secured during and immediately after the war, and this partly explains its policy in Asia.

CHAPTER XX

POLITICAL ISSUES IN MANCHURIA

PRESENT STATE OF THE COUNTRY—CHINA'S EFFORTS TO RECOVER AUTONOMY—POLICIES OF THE VICEROYS—JAPANESE EVACUATION OF MOUKDEN—TROOPS WITHDRAWN—SLIGHT ALTERATION OF POLITICAL STATUS—JAPAN'S GRIP RETAINED—JAPANESE GARRISONS—ISSUES BETWEEN CHINA AND JAPAN—CHINA'S AUTHORITY A FICTION—THE QUESTION OF RAILWAY ADMINISTRATION—CLAIMS OF RUSSIA AND JAPAN—BASIS FOR THESE CLAIMS—THE CHINESE EASTERN RAILWAY AGREEMENT—THIS INSTRUMENT ANALYZED—RAILWAY SETTLEMENTS—THE ISSUE AT HARBIN—RAILWAY ADMINISTRATIVE ZONES—USURPATION OF CHINESE ADMINISTRATIVE FUNCTIONS—POSTS AND TELEGRAPHS—LAWLESSNESS OF JAPANESE IMMIGRANTS—THE ANTUNG-MOUKDEN RAILWAY—CHINESE SOVEREIGNTY OVERRULED.

WHEN I last visited Manchuria three years had passed since Russia and Japan, making peace at Portsmouth, agreed to evacuate those provinces and to restore them to the administration of China; yet I found the country, while nominally a part of China and subject to her sovereignty, politically divided into two parts—the Russian and Japanese spheres of influence. There is no substantial difference in the political status of these spheres, but the policy of Japan is being more aggressively promoted, has for the moment greater significance, and still affords an illustration of tendencies and purposes in both.

Although it had several times previously been announced that Japan was fulfilling her treaty obligation,

and had restored the part of Manchuria then occupied by Japanese armies to "the *exclusive* administration of China," it was not until December, 1906, that Japanese troops were withdrawn from Moukden, Newchwang and other important places, and Chinese autonomy outwardly resumed. At that time Japanese had occupied southern Manchuria over two years, and the military authorities had used this period to establish Japanese in possession of all property formerly owned, occupied or claimed by the Russians; to occupy themselves much Chinese property to which the Russians never had asserted claim; to establish thousands of Japanese immigrants in the country by according to them more favorable treatment in comparison with Chinese or other foreigners; and to lay, by arbitrary seizure, foundations for subsequent claims to valuable mines and concessions.

This so-called evacuation was not made, however, until Japan had used her military control of the country to put pressure upon China with a view to firmly establishing Japanese interests there. The Komura—Yuan agreement was negotiated while Japan was in full control, which put China in the real attitude of bargaining to regain possession of her own territory. In scrutinizing this agreement¹ it appears that in some important matters it is intentionally ambiguous. Japan probably did not then desire to appear to press China too severely, but refused to relax her hold until foundation for further negotiation was laid. This agreement was signed late in 1905, and by its terms Japan specifically agreed to begin evacuation of Manchuria immediately, and not to wait upon full expiration of the time limit (March, 1907) fixed by the Portsmouth treaty. But for another year after it was signed Japan retained her tight grip. The reason is obvious. During

¹ Appendix C.

this period supplementary negotiations were progressing at Peking, and Japan was making the fulfillment of her promise a condition of China's yielding in other matters which Japan was pressing upon her.

Late in 1906 the Peking Government sent Prince Tsai-chen to Manchuria to investigate conditions and report upon a plan to reorganize Chinese administration of the three provinces and consolidate Chinese power to resist Russian and Japanese aggression.² In attempting to pursue this policy, Chao Ehr-sun, then Tartar General at Moukden, soon developed friction with the Japanese authorities. H. E. Chao seems to have been intensely anti-Japanese, and in dealing with the Japanese authorities was alternately swayed by dislike, which inclined him to be over-aggressive, and timidity, which made him too yielding. Upon representation of Japan at Peking, H. E. Chao was transferred to another post and Hsu Shih-chang was appointed. About the same time Tang Shao-yi was appointed Governor of Feng-tien province. H. E. Tang, who studied at Columbia University, is one of the more enlightened and progressive officials in China, and from the time he arrived at Moukden he virtually had charge of relations between the Chinese and Japanese authorities. H. E. Tang is thoroughly familiar with circumstances relating to Japan's position in Manchuria, having been secretary of the board which negotiated the Komura—Yuan treaty. This shift in administration occurred in June, 1907.

On my second visit to Manchuria since the war ended I could notice slight alteration of the general political status, although the situation is constantly being modified by the course of events, and outward evidences of Japanese occupation were less conspicuous. Japanese troops

² Appendix E.

in the country had been reduced. The garrisons which when I was last there, eighteen months before, were maintained at Moukden, Liao-yang, Newchwang, Tieling, Tsinnintun and Kirin had been withdrawn. Moukden was the last important place evacuated, the troops being withdrawn from the city in April, 1907. As the Japanese military grip was relaxed, Chinese administrative processes gradually resumed their functions, and now perform ordinary governmental duties throughout the country with some limitations and exceptions.

But these limitations and exceptions, when examined, reveal that Manchuria still is far from being restored to the exclusive administration of China. Japanese garrisons remain at Antung; at the Fu-Shun, Pen-shui-hu and other mines; and in Chien-tao. Japanese troops (railway guards) are garrisoned along the railways and at all railway stations and settlements. Japan also has covered the country with a web of consulates. In the Japanese sphere, there is a consulate-general at Moukden, consulates at Kirin, Newchwang and Antung; consular agencies at Liao-yang, Tsinnintun, Fakumen, Tieling, Kwang-cheng-tze, Feng-wang-cheng and Kaiping. In the Russian sphere, Japan has a consulate-general at Harbin, and consular agencies at Tsitsihar and Manchuli. At most places where Japan has established a consular representative also is a consular guard, which means that small garrisons thus are distributed over the country. There is no actual need for these troops. They are not considered necessary by British, American, German and other foreign governments which have consulates in Manchuria.

The political situation in Manchuria may be summarized by enumerating the chief matters now at issue between China and Japan. These are:

1. The failure of Japan to restore to Chinese subjects private property which was seized and used for military purposes during the war.
2. The refusal of Japan fully to restore to China's administration the posts and telegraphs in Manchuria.
3. The refusal of Japan to restore to Chinese owners valuable mines and timber preserves which were seized during the war.
4. The failure of Japan to restore to Chinese owners and to Chinese administration land and other property adjacent to the railway right of way which was seized by Japanese military authorities during the war.
5. The refusal of Japan to permit the extension and construction of Chinese railways in Manchuria.
6. The refusal of Japan to limit the residence and commercial activity of Japanese subjects in Manchuria to treaty ports.
7. The claims of Japan that Japanese have equal rights with Chinese to work the coast fisheries and to import salt into Manchuria.
8. The claim by Japan (and also Russia) that her political authority in Manchuria is coextensive with all property owned by or operated in conjunction with the Japanese railways, and also extends to railway settlements.
9. The acquisition by Japan of large tracts of land which she is now converting into residential concessions, and over which she claims administrative authority.
10. The protection by Japan of Japanese in evasions of Chinese taxes and administrative regulations, and in usurpation of the property of Chinese.

Commercial aspects of some of these matters, such as those involved in tax evasions and railway discrimina-

tions, and which directly affect foreign trade interests in the country, already have been discussed; so the inquiry now may be confined to political aspects of these questions. That such questions now exist conclusively demonstrates that alleged restoration of Chinese autonomy is a fiction. Can anyone conceive such questions being diplomatically discussed by the United States concerning similar matters within its territory? All matters concerning Manchuria now under discussion between China and Japan, except the Chien-tao and fisheries questions, belong within the scope of a nation's internal political sovereignty, and for a foreign power to raise them at all is tantamount to disputing the existence of this sovereignty. The questions of property and franchise rights clearly lie within the domain of jurisprudence, which is an administrative function fundamental to sovereignty; or, if an exception be made of China's case, they belong in a court of arbitration. Functions like police power, administration of posts and telegraphs, taxation and regulation of commerce and industry, all are inherent with the political sovereignty of a state; and that China's authority in these matters is limited and disputed by Japan proves that real authority in southern Manchuria does not now lie with China, but with Japan.

Of questions which directly involve sovereignty, the attempt by Russia and Japan to stretch authority to regulate their railways into political administrative power probably is more important. This alleged right is based upon a clause granting to the Russo-Chinese Bank a franchise for the Chinese Eastern Railway, as the line from Harbin to Port Arthur formerly was called, and the southern part of which now forms the South Manchurian Railway; for Japan bases her claim as an inheritor of the rights of the original grantees. This case well may serve for illustra-

tion of methods employed by both nations to extend Russian and Japanese influence in Manchuria, and to undermine China's autonomy. It is essential to remember that this franchise was not granted to the Russian Government, but to the Russo-Chinese Bank, a corporation composed jointly of Russians and Chinese, and in which both governments are interested to the extent of providing capital. Article 1³ of the agreement for the construction and management of this railway which was signed August 29, 1896, says: "China and Russia establish a company . . . to construct and manage this railway. . . . The Director of the Company will be appointed by China. . . . All business between the Company and the Chinese Government or any Chinese officials, either in Peking or the provinces, will also be managed by the Director." The clause upon which the Russo-Japanese claims of administrative authority are founded, is given in full.

"Article 6 — As regards the land required by the Company for constructing, managing and protecting the line and adjacent land, for procuring sand, earth, stones and lime, if the land be Government land it will be given to the Company without payment. If privately owned, the Company will provide funds for payment to the proprietors at market rates, either in one payment or as yearly rent. All the Company's land will be exempted from land tax. As soon as the land comes under the management of the Company they may erect thereon any buildings and carry on all kinds of work, and they may establish a telegraph line thereon worked by the Company for the Company's use. With the exception of mines, for which special arrangement must be made, all receipts of the

³ Appendix K.

Company for transport of passengers and freight, telegrams, etc., will be exempt from taxation."

This is the exact phraseology of the clause as it is published in open records of this agreement. However, it now appears that a copy was made in French, which Russia contends is the official copy, and which it is claimed gives the Company the right to police and administer the railway settlements. China contends that Li Hung Chang, who negotiated the agreement for China, did not understand French, and that this alleged clause was inserted without his knowledge; moreover, that it cannot rightly be construed as granting to Russia administrative control over any part of Manchuria, since the agreement is with a corporation, not a government.

Briefly stated, this is the foundation for Russia's claim to administer the settlements along her part of the railway, of which the more important is Harbin. When this point was selected for the junction of the Port Arthur branch of the Chinese Eastern Railway with the main line no town existed there; but one quickly grew. Partly by purchase, partly by appropriation, the Russian railway administrators added to the town, until Harbin and its suburbs now include 45 square miles of territory, over which Russia claims political authority. The opening of Harbin as a treaty port, and establishment there of foreign consuls, has raised the question of their status; that is, are they amenable to Russian or Chinese political sovereignty? This question became an issue in 1908 between the United States, Russia and China regarding the position of the American consul at Harbin.

China contends that such administrative powers as were conferred upon the Company only meant strictly railway property, needed for and actually used in operating the

railway; and cannot reasonably be construed to include towns and cities, large and small, which may grow or which already lie adjacent to the line. It is indeed difficult, when all the circumstances are considered, to conceive a more flimsy pretense than Russia's contention in this matter. And it is humorous to find Japan, which considered this and similar actions by Russia reason to go to war to oust her from Manchuria, now advancing the same claim in her own sphere. In constructing this railway through southern Manchuria the Russians laid out and secured, chiefly by purchase from Chinese owners, ample sites for settlements adjacent to the stations, and these were inherited by Japan. During the Japanese military occupation these settlements were greatly extended. At Moukden, Liao-yang and Newchwang especially were large "concessions" laid out. The status of these so-called "concessions" is now in dispute between China and Japan. Japan claims the right to administer them, while China contends that, as in the case of Russia in the north, Japan's administrative authority does not extend beyond what properly may be included in the railway right of way. Japan tentatively has intimated that she considers her railway right of way, or "zone," as being an extension of her leasehold on the Kwang-tung, which she also inherited from Russia. To sum up this question, if the claims of Russia and Japan in this matter are established, it will establish a strip of territory, including many important towns, dividing Manchuria like a huge T, and over which China can exercise no political sovereignty whatever.

Nor has Japan, in her sphere, been content with locating residential "concessions" adjacent to the railway; she has established herself in possession of suitable sites in other localities, as at Kirin, Antung and Feng-wang-cheng; and which she demands that China officially recog-

nize. To these places, and wherever Japan has established consulates or consular agencies, the Japanese post and telegraph was extended against the protest of China. Japan entered into an agreement with Russia whereby mails brought by the Russian railway are delivered to Japanese instead of to Chinese postal authorities for distribution, thus ignoring China's sovereignty. Japan also refused to carry Chinese mails at a reduced rate on the South Manchurian Railway, taking the position that the Japanese post will handle all mail over this route. Japanese officials have opened Chinese mail bags at Liao-yang and Moukden before delivering them to the Chinese post office. The Japanese have established letter boxes in Moukden and in other cities, and Japanese mail carriers travel at will over the country. Chinese posts in Manchuria are under the direction of foreigners and afford very good service; better as a rule than Japanese posts; and there is no legitimate reason for Japan's usurpation of China's prerogative in this important administrative function. Japanese telegraphs, which were established for military purposes during the war, are continued as commercial ventures in competition with the Chinese Imperial lines, and against China's repeated protests. Although Japan specifically agreed, in the Komura—Yuan convention, to restore to Chinese owners all property which had been commandeered for military uses during the war, this has not yet been done, and many buildings are rented to Japanese merchants at a nominal rental, while Chinese owners cannot get possession.

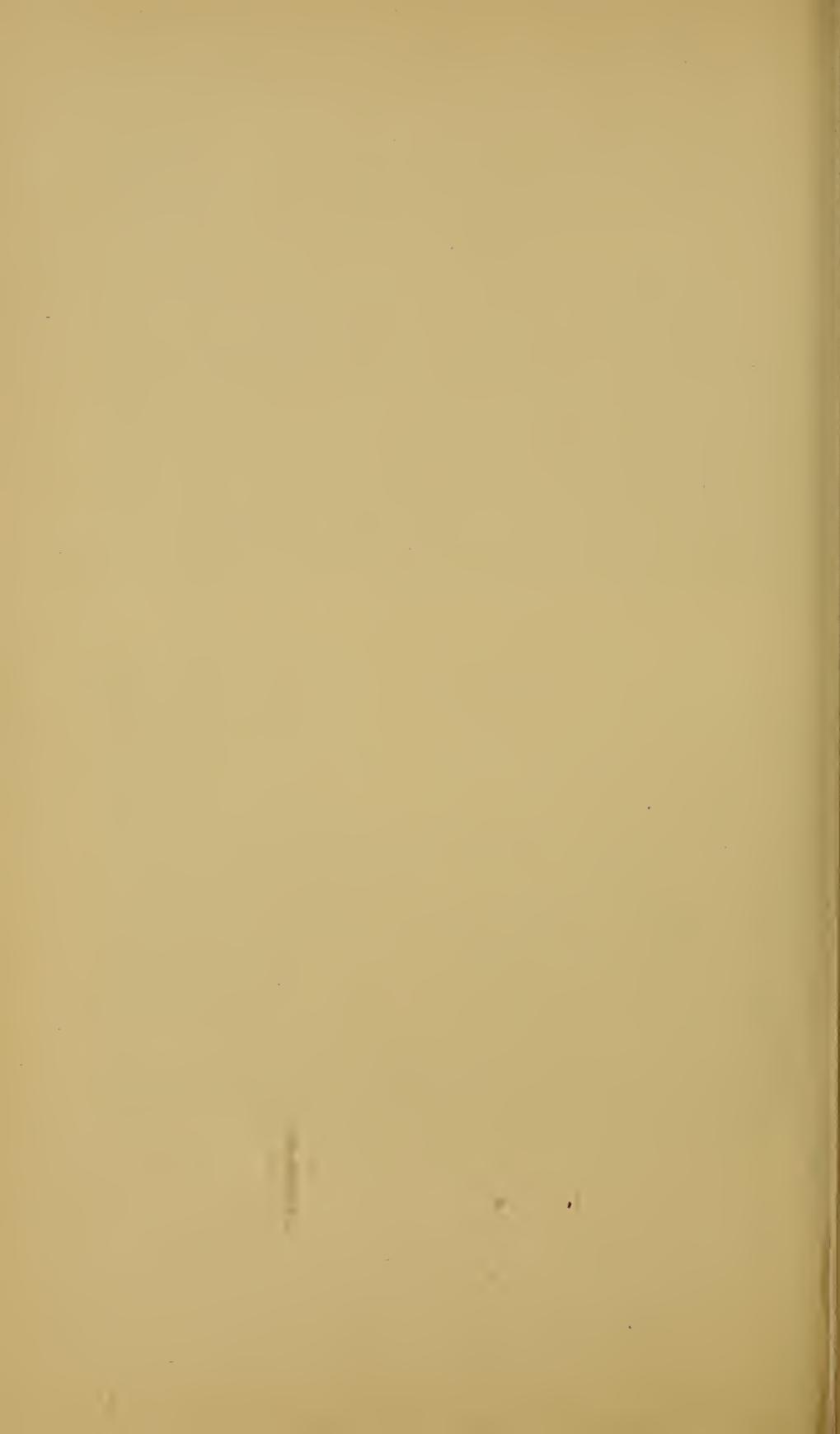
The injection into the country of Japanese immigrants has caused unnumerable complications. Fortunately the austere days of the military regime, when Chinese were summarily ejected from their homes and their property confiscated by these unwelcome intruders, have now



CAMEL CART, MONGOLIA.



CHINESE OUTPOST IN MONGOLIA.



passed; but it is the settled policy of Japanese officials to support their nationals in Manchuria in any circumstances. Moukden and other cities are now policed by Chinese, and life and property are as safe as in Peking. The lawless element which is hardest to control are Japanese, who habitually ignore the authority of Chinese police and rarely will submit to arrest by them. Recently, owing to frequent collisions and brawls, the Japanese Consul-General at Moukden objected to the carrying of firearms during the day by Chinese police, and the Chinese authorities were forced to accede to this extraordinary demand; but Japanese soldiers carrying bayonets and rifles are constantly seen about the streets. Even Japanese coolies are disposed to disregard Chinese authority, and also the immunity which is presumed to attend foreign consular representatives. Unwarranted invasions in 1908 of the German and American consulates by Japanese coolies who became embroiled with the Chinese servants were examples of this disposition which attracted international notice, and evoked apologies from Japan; but Chinese, as a rule, have to endure such indignities. There is no doubt, however, that the presence in Manchuria of foreign consuls has the effect of stiffening the nerve of Chinese authorities, and acts to discourage and deter Japanese and Russian political aggressiveness and impositions on the Chinese population.

The status of the Antung-Moukden railway may become a serious issue between Japan and China, and in many respects it is typical of Japan's method of acquiring "interests" in Manchuria. During the war the Japanese army, as it advanced, constructed a light railway to open communication with its base on the Yalu; and Japan insisted that she be permitted, after the war, to reconstruct this line and operate it. China agreed to this

provided the railway be reconstructed within two years after Japan's military evacuation of the country. This officially occurred in December, 1906, and so the time limit expired in December, 1908. The line has not been reconstructed, is still in the general state it was when the agreement was signed, and the Japanese Diet has failed to authorize its construction. Japan has intimated, however, that she does not feel bound to complete reconstruction within the limit fixed, and will decline to relinquish her concession. China is herself anxious to build this road as an extension of the Imperial Railways of North China, but there is slight prospect that she will be permitted to do so.

When the right to build the Antung-Moukden line was granted to Japan, she demanded in conjunction with it a general mining concession on both sides of the right of way, but when she refused definitely to delimit the extent of this area China declined further to discuss the matter. This did not prevent Japanese from seizing a number of coal mines in the district, which belonged to Chinese, and which are still held by the South Manchurian Railway, on various pretexts, as part of its assets. The basis of Japan's claim to some of these properties are too complex here to be explained; but they demonstrate that her policy in these matters is first to seize by military force, then to trade upon her vantage of possession. Chinese owners of valuable coal mines have now been kept out of their property for years (which meanwhile is worked by Japanese) and have small prospect of an equitable recovery.

Notwithstanding the anomalous political situation of the country, it is possible to note many evidences of progress in Manchuria, especially in Moukden, the ancient capital of the Manchu kings. Moukden now has paved

streets, a horse tram-line, a telephone system, many new private and public buildings; and electric light and water works probably will be supplied within a year. There are now five foreign consulates; an international club, which, by the way, is the first foreign club in China to admit Chinese and has a dozen or so members among the higher officials; an "Astor House" hotel; a permanent industrial exhibition; and several foreign commercial firms. I noticed many foreign articles in the shops which were not formerly to be seen, among them automobile masks and goggles. These are excellent protection to the eyes during dust storms, and I think I was first to wear them in Moukden, several years ago, for I remember the attention I then attracted. There is even a Chinese company which erects billboards and rents advertising space. The old city has been discovered by the tourists, (for Moukden is now a railway center) who may be seen rummaging about the Chinese shops, where alongside of wares of the country are now displayed picture post-cards of palaces, tombs and execution scenes. Some shop signs are in English. A regretable result of progress is that in grading and draining the wider streets it was necessary to remove many of the huge shop signs which are peculiar to Manchuria, and which formerly gave the city such a unique and distinctive appearance.

Much as one might like to think so, it is not possible to believe that there has been any substantial restoration of China's sovereignty in Manchuria. The grip of Japan and Russia is somewhat relaxed, but can be tightened at an instant's notice, and is whenever occasion demands its assertion in issues with China, and which are not likely to attract international notice. Negotiation required to clarify the situation has been for some time at a pause, with China afraid to insist upon a settlement until she is better

assured of external support, while the powers in occupation are willing not to disturb a condition which gives them substantial control of the country. The course of events there sickens those who may try to believe that international promises afford any true basis for estimating policies and results.

In reviewing the entire situation in the Far East one can hardly escape an impression that the issues involved in Manchuria present, for the moment at least, the real crux of the Far Eastern Question. If there has not by this time penetrated to the United States some fairly accurate comprehension of what may be expected of Japan and Russia, should they be permitted further to pursue their desires in eastern Asia without the limitation of outside pressure, it may be that realization will come too late to prevent permanent injury to American interests in that part of the world. Few persons, even in the United States, seem to know that about half of American trade in China is, or formerly was, in Manchuria. The great decrease in our trade with China since 1905 has been noted, and there have been numerous attempts to explain it, among which the now moribund boycott has had a prominent position. The Japanese closure of Manchuria, which caused large stocks of American products that had been accumulated in anticipation of a great demand when the war ended to remain stagnant in godowns at Shanghai and Tientsin, and which was a principal cause of the existing depression, has almost been ignored. Matters to be adjusted in Manchuria affect all nations trading with China, but in regard to this particular locality the United States has most at stake of the so-called outside powers. When the war between Russia and Japan began, American trade in Manchuria exceeded that of any other three nations, excepting Japan, and there

is no reason why this position cannot be maintained or even improved under equitable conditions.

That foreign trade and property rights are now suffering, and will continue to suffer while conditions remain as they are, cannot successfully be disputed. It seems to me that unless certain points are definitely adjusted by means of, if necessary, international pressure upon the powers in occupation, the "open door" in Manchuria will continue to be a hollow sham, and may lead to dismemberment of China.

CHAPTER XXI

RUSSIA IN EASTERN ASIA

RUSSIA'S REPULSE — HER POST-BELLUM POSITION — REVISING HER EASTERN POLICY — RUSSIA'S POSITION IN MANCHURIA — HER COMMERCIAL POLICY THERE — CONTRAST WITH JAPAN — THE DOOR OPENED — RUSSIA AND JAPAN — ISSUES BETWEEN THEM — RAILWAY ADMINISTRATION — THE GENERAL CONVENTION OF 1907 — THIS DOCUMENT ANALYZED — RAILWAY STRATEGY IN MANCHURIA — THE POSITION OF CHINA — BARON GOTO'S VISIT TO RUSSIA — RUSSIA'S ADVANTAGE — CONDITIONS IN THE RUSSIAN SPHERE — HARBIN — RUSSIA'S REAL ATTITUDE.

SINCE termination of the war with Japan the policy of Russia in eastern Asia has lapsed into comparative obscurity. Several influences have contributed to bring this about. One is the popular idea that Russia was so grievously worsted by Japan, and her military resources so exhausted that she will be seriously crippled for many years; another is a belief that internal troubles will not permit her to prosecute a vigorous external policy; still another is the belief that her finances are in a state which compels retrenchment, and that this condition will force the Government to defer or abandon any schemes that will involve great expense.

None of these generally accepted theories is entirely correct. The end of the war found the Russian army still able to interpose formidable opposition to the Japanese advance; indeed, it is now apparent that Russia was fully as well prepared to continue the war as was Japan.

When peace was made the Japanese armies were still far from Russian territory, and had slight prospect of securing lodgment there except at further great sacrifices of men and money. Russia made peace not because she was crushed, but because circumstances made such a course politic. She had merely been repulsed, not beaten; and her statesmen felt that the time was not propitious for continuing the struggle in the East.

Peace with Japan having been made, it was necessary for Russia to revise her eastern policy to meet the new conditions, and this she set about at once. It may be presumed that Russian statesmen never have had any delusions regarding the real purpose of Japan's continental policy, nor about Japan's object in expelling Russia from Korea and southern Manchuria. It is evident that Russia's eastern policy must now consider Japan's position on the continent. Korea was for the time eliminated, but China remains. Possible complications which may be injected by interference of other powers cannot be ignored. These considerations impelled Russia to for a time adopt a negative attitude, to play a waiting game, leaving initiative to Japan, realizing that international attention would for a while be concentrated upon her erstwhile opponent.

Russia's post-bellum stock-taking in the East revealed this situation: She occupies two-thirds of Manchuria, including the entire northern watershed, embracing the region drained by the Sungari and its tributaries; she controls the mighty Amur; she has a fortified seaport in Vladivostok, connected with Siberia and European Russia by the Manchurian and Siberian railways; her hold in Mongolia is not materially weakened; while beyond and behind it all stands her great Empire, unshaken and practically unaffected. This survey revealed no cause

for despondency. So Russia quietly and unobtrusively took up her eastern policy where the war had left it, taking note of changes and new factors, and prepared to play her remaining cards for all they are worth.

Russia's position in Manchuria is defined by the Portsmouth treaty and, in an international sense, is identical with Japan's. It is apparent that Russia felt that the burden of proof of the *bona fides* of the Portsmouth treaty, in respect to its declarations about Manchuria, rested with Japan, so during the evacuation period the Russians seem to have watched the Japanese and followed their lead in political matters. As the Japanese armies were withdrawn, so also, in about the same ratio, were the Russian armies removed from China's provinces. But Russia has eastern possessions of her own, which permits her to retain a considerable number of troops there without being questioned. The garrisons at Vladivostok, Khabarovsk and in the Baikal region constitute at least two army corps, while Russian "railway guards" in northern Manchuria balance those of Japan in the south. During this interval the attitude of Russia toward China was conciliatory, while China was not disposed to press Russia or force an issue in the north, since both seem to have felt that the Japanese sphere will provide the real test.

In one important matter, however, Russia's post-bellum policy in Manchuria differed from that of Japan. This is in commercial affairs. The Russians never have pursued a niggardly policy in regard to the trade of other nations in Manchuria. On the contrary, during the Russian regime before the war foreign trade in the country greatly increased, especially that of the United States, owing to the fact that a condition of comparative order prevailed, and that the Russians interposed no obstacles to commerce. The present industrial situation of Russia

does not require special exploitation in her favor of far eastern markets. Under the Witte regime, Russia's eastern policy was called commercial as distinguished from political; but it nevertheless was entirely political in its main objects, and an impartial attitude in commercial matters merely was a means to content other nations with Russia's occupation of the country. Russia was looking far into the future, and was for the time quite willing to witness an expansion of trade there, especially since she had no immediate need commercially to exploit Manchuria for herself.

After the war Russia resumed this policy, which was more sharply thrown into relief because of Japan's opposite attitude in the south. Russia made no attempt to prevent foreigners from entering the country after peace was established. Instead of interposing obstacles to the importation of products, as Japan did in her sphere, Russian officials smoothed their way by providing routes of access. In pursuing this policy Russia apparently was influenced by several motives: supplies were required for the Russian troops, and could be more cheaply and quickly got in from China than from Europe; Russia had no products of her own which she wanted to dump into Manchuria; she saw an opportunity to make Vladivostok a port of entry for Manchuria by taking advantage of the closure of ports of ingress in the south to all except Japanese products; and it placed Japan in a somewhat embarrassing position by contrast. So a service of ships plying between Shanghai and Vladivostok was established, and through bills of lading were issued from Shanghai to points in Manchuria inside the Russian sphere, via the Russian railway. By this route products could enter Manchuria as far south as Kwang-cheng-tze, and could reach Kirin. This route was freely used by shippers

during the year which followed the conclusion of peace, and still is to some extent; and the fact that foreign trade in Manchuria did not show a greater falling off during this period is due to its existence. I know of several instances when foreigners who, after having been refused permission to travel in the Japanese sphere of Manchuria, entered through the Russian sphere and thus managed to reach at least part of the country. In the Russian sphere business revived soon after the war, while normal commercial conditions are not yet fully restored in the south.

To understand the questions involved in Russia's policy in northern Manchuria it is necessary to consider her relations with Japan as they have developed since the war. The Portsmouth treaty left many matters to be adjusted subsequently, among which was the exact status of the Russian and Japanese railways in Manchuria. The articles of the treaty concerning railways follow:

Article VI — The Imperial Russian Government engage to transfer and assign to the Imperial Government of Japan, without compensation and with the consent of the Chinese Government, the railway between Chang-chun (Kwang-cheng-tze) and Port Arthur and all its branches, together with all rights, privileges and properties appertaining thereto in that region, as well as coal mines in the said region belonging to or worked for the benefit of the railway.

Article VII — Japan and Russia engage to exploit their respective railways in Manchuria exclusively for commercial and industrial purposes and in *no wise for strategic purposes*. It is understood that this restriction does not apply to the railway in the territory affected by the lease of the Liao-tung peninsula.

Article VIII.—The Imperial Governments of Japan and Russia, with a view to promote and facilitate intercourse and traffic, will, as soon as possible, conclude a separate convention for the regulation of their connecting railway service in Manchuria.

When the Russian army retreated from Moukden it destroyed the railway for some distance north of Kwang-cheng-tze, and when operation was resumed a gap of about forty *li* remained between the southern end of that part of the Chinese Eastern Railway which Russia retained and that part which she ceded to Japan; a condition detrimental to the Japanese line because it left it without connection with the north. As time passed the Russians showed no disposition to establish a connection, although repeatedly urged to do so by the Japanese. Finally, on June 13, 1907, a convention relating to Japanese and Russian railway operation in Manchuria was signed at St. Petersburg in pursuance of Article VIII of the Portsmouth treaty. It stipulates that the actual junction will be at Kwang-cheng-tze, but the exclusive administration of this place is relinquished by Japan to Russia for a money consideration. The convention provides for installation, under regulations subsequently to be adopted, of a connecting train schedule, and for the transfer of freight at the point of junction. The question of the construction of a branch to Kirin, which inheres to the Russo-Chinese Bank under the original agreement, apparently is left in abeyance, although Japan tentatively agrees not to interpose obstacles to this project.

A few days after this railway convention was signed, a general agreement¹ defining the relations of the two na-

¹ Appendix C.

tions was reached. It was signed on July 30, 1907, at St. Petersburg, and is here given in full:

"The Government of his Majesty the Emperor of Japan and the Government of his Majesty the Emperor of All the Russias, desiring to consolidate the relations of peace and good neighborhood which have happily been re-established between Japan and Russia, and wishing to remove for the future every cause of misunderstanding in the relations of the two Empires, have agreed to the following arrangements:

Article I.—Each of the high contracting parties engages to respect the actual territorial integrity of the other, and all the rights accruing to one and the other party from treaties, conventions and contracts in force between them and China, copies of which have been exchanged between the contracting parties (in so far as these rights are not incompatible with the principle of equal opportunity), of the treaty signed at Portsmouth on August 23, 1905, as well as the special conventions concluded between Japan and Russia.

Article II.—The two high contracting parties recognize the independence and the territorial integrity of the Empire of China and the principle of equal opportunity in whatever concerns the commerce and industry of all nations in that empire, and engage to sustain and defend the maintenance of the *status quo* and respect for this principle by all the pacific means within their reach.

In witness whereof, etc."

This agreement may mean a good deal or nothing. The reason for its promulgation at this time is not obvious, unless it was because Russia and Japan felt that the world was becoming uneasy concerning their continued occupa-

tion of Manchuria, and they thought it wise to reiterate allegiance to the "open door" and the territorial integrity of China. In view of the fact that only these powers are at present actively encroaching upon China's territorial integrity and administrative autonomy, and only Japan is now disposed to trample the "open door" principle under foot, this pronouncement has a humorous side. Russia and Japan mutually engage to "sustain and defend the *status quo.*" Does this mean the existing *status quo* in Manchuria? Article I binds the two nations to respect all rights which either has under treaties and agreements with China, and mentions that copies of all such agreements are thereby mutually exchanged. One wonders if this means that Japan then provided Russia with the alleged secret clause of the Komura — Yuan agreement under which she now objects to extension of Chinese railways in Manchuria, and if Russia responded by confiding to Japan her interpretation of the disputed clause in the Chinese Eastern Railway concession, on which Russia and Japan now base their alleged right to exclusive administration of settlements along the right of way of this line. Unless something of this kind was in the minds of the plenipotentiaries, the convention seems to be only an inane repetition of previous utterances of both governments, and is incapable of being practically construed. Analyzed in the light of actual conditions, it justifies suspicion that it really amounts to a mutual agreement by Russia and Japan to hold fast what they have got; or rather, that neither will disturb the other, provided other interested nations remain quiescent.

Of elements which will play an important part in determining the future of Manchuria, none is of greater interest and importance, from an international viewpoint,

than the railway situation. Railways were made the excuse for foreign occupation of the country in the beginning, and they are still used to continue it. They provide a means to evade, by practices which are difficult to trace definitely, the principle of equal commercial opportunity, and to undermine China's sovereignty. Soon after the last agreement with Japan was promulgated, Russian policy in northern Manchuria abandoned its passive attitude and began to reveal aggressive qualities. What is now known as the "Harbin incident," by which Russia attempted to establish administrative authority over the entire city, and which brought her into contact with the United States, was an important manifestation of the change. One cannot doubt that this contention of Russia was advanced with the approval of Japan, since the principle involved applies also in Japan's sphere. It is probable that a point inside the Russian sphere was selected for a test because the original agreement was with Russia (through the Russo-Chinese Bank), and Russia is presumed to be familiar with circumstances surrounding negotiation of the concession, and which must influence constructions now placed upon it. The diplomatic issue raised by this incident has been reviewed in connection with discussion of conditions in the Japanese sphere. That Japan is prepared to approve of Russia's interpretation of the Chinese Eastern Railway agreement is intimated by the attitude of the Japanese official press toward the position assumed by China and the United States.

In addition to a direct interest in the question of railway administration, Japan is anxious to secure the assent of Russia to her attitude in the Fakumen railway matter. On this point, however, Russia now seems disposed to adopt a neutral position, so that she may, if it should be to her advantage, trade either with China or Japan in



RUSSIAN OUTPOST IN MONGOLIA.



RUSSIAN OUTPOST IN MONGOLIA.

establishing the conditions under which railway development in Manchuria will proceed. China's desires are well known. She wishes to extend the Imperial Railways of North China in two directions; from Tsinmintun northward, via Faku-men and Tsitsihar, to the Amur opposite Blagovestchenk, intersecting the Russian railway west of Harbin; and also from Kalgan to a point on the Siberian railway somewhere between Lake Baikal and Khailar. A route from Khailar to Kalgan was surveyed several years ago, and Russia is disposed to claim that the right to build this line was promised to her. If so, it is not recorded in any published agreement; although there is little doubt that, had not war with Japan halted Russia's eastern policy, she would have compelled China to grant a concession for a railway across Mongolia either from Urga or Khailar. Such a road will reduce the time from Peking to Moscow by three days. Its construction will effectively eliminate the South Manchurian Railway as a factor in competing for travel between Europe and the Far East, which Japan recognizes.

The situation thus is a triangular one, and contains some interesting possibilities. Russia is in a better position than Japan, since her Siberian and Trans-Caspian railways are indispensable as links in any route between Asia and Europe. She can reach an agreement with Japan by which the two nations will obstruct Chinese railway construction in the north and retain that territory for themselves; or she can make an agreement with China by which Japan will be left on the outside, with no through connections. A glance at a map shows that Russia really possesses the key to the situation, so far as these three nations are concerned. She may take China's side to the extent of consenting to the extension of the Imperial Railways of North China to the Amur, pro-

vided China gives Russia the right to connect Kalgan with Urga or Khailar, and a further concession across Mongolia east and west from Kokand. These circumstances caused great interest throughout the East in the visit in 1908 of Baron Goto, president of the South Manchurian Railway, to St. Petersburg. His visit ostensibly was to arrange details for the final connection (there still was a small gap between them) and operation of the Russian and Japanese lines in Manchuria; but it was reported that he carried an offer from the Japanese Government to purchase from Russia that part of the Chinese Eastern Railway between Kwang-cheng-tze and Harbin, and that he proposed other arrangements designed to prevent Russia from treating with China. The result of Baron Goto's visit to the capital of the Tsar is not yet definitely known. Russia shows no inclination to be drawn hastily into any arrangement, and seems to prefer to keep Japan and China on the anxious seat for a while. It is not apparent what Japan has to offer Russia, as a *quid pro quo*, for her support in this matter; for anything that Japan now is likely to give may be had by Russia without her consent.

Then Russia has been in the game of eastern politics too long not to realize that external factors may be injected into this question of railway development in the Chinese Empire. Other powerful nations, notably the United States, Great Britain and Germany, are deeply interested in the matter; the United States not, however, as a possible owner and operator, but as a shipper. It is possible for an international situation to arise which will place limitations upon the actions of Russia and Japan in the north. Having this possibility in mind, Russia is considering schemes to protect her position in the east in any eventuality. In time, if the Chinese Empire endures, the Russian and Japanese railways in Man-

churia will become the property of China, by purchase under the terms of existing conventions, which would leave Vladivostok and the Ussuri littoral, which now is a thriving Russian colony, isolated. Undoubtedly it is contemplation of this condition that induces the Russian Government to push its plans for the Amur Railway, and the grant by the Duma of the preliminary funds required to begin this project intimates that Russia has no intention to abandon her position in the East.

It is believed that China also has proposed to purchase Russia's interest (it should be remembered that China has an interest in this railway) in the Chinese Eastern Railway between Harbin and Kwang-cheng-tze; and also to purchase the east and west line. If the treaties concerning these lines in Manchuria are not broken by Japan and Russia, or replaced by new treaties, the roads will in time revert to the control of China. Neither Russia nor Japan desires this, and it safely may be assumed that they will prevent it if possible, but both governments must now consider the possibility that events will so shape themselves that they will be compelled to fulfill their agreements. So Russia may consider it advantageous to her to lean toward China in this matter of railways, and may prefer to dispose of any interests which she now cares to relinquish to the proper legatee. China may strenuously object to a sale of the northern part of the Chinese Eastern Railway to Japan, as China's right to an option on it cannot justly be disputed.

Political conditions in the Russian sphere of Manchuria are very similar to those in the south. Chinese autonomy ostensibly has been restored except in the railway settlements, over which the Russians assert authority. The refusal of the United States consul at Harbin to recognize the Russian administration, and the support by the United

States of China's position which was a result, had the immediate effect of leaving Harbin and other towns practically without government worthy of the name. Harbin is typical of Russian administration in Manchuria to-day. This young city on the Sungari is indeed an extraordinary place. There really is no municipal government. Business is stagnant, yet the place throbs with life of a sort. Cafés and dance halls are open day and night, and are the resort of persons of all classes. At night the streets are poorly lighted. Murders and robberies are frequent; it is asserted that a federation of police, cabmen and prostitutes conspires to fleece such victims as may offer. One is warned not to leave the hotel at night, or to go about alone, and especially not to confide in strangers. Everyone complains of hard times, yet the cafés are full of revelers, who applaud the singers and apparently consume great quantities of champagne. Where the money comes from no one seems to know. Those who are not supported by the Government live off the railway administration. Places like Khailar, Manchuli and lesser towns on the railway reflect Harbin on a smaller scale. The lax conditions have attracted a large proportion of foreign riff-raff in the East, an element which the Russian administration makes no effort to keep in hand, while the authority of Chinese officials is ignored.

Chinese custom houses recently were established on the Manchurian land frontier, where the maritime import duty is collected on products entering from Siberia. These chiefly are farm and dairy products. The railways are policed by Russian "guards," and there are small Russian garrisons at Tsitsihar, Mongar, Aigun, Sangsan and some other towns outside of the railway zone. Russian troops are stationed at Urga and several places in northern Mongolia. Russia's hand covers the north as completely as

does that of Japan in the south, but her grip is not so tight.

If other evidence that Russia intends vigorously to push her interests in eastern Asia was lacking, that afforded by the Russian immigration to eastern Siberia would be conclusive. Within the past two years one of the greatest human migrations of modern times has been proceeding so quietly that it has hardly been noticed. Official statistics of the Russian Government show that in 1906, the first year after the war, this immigration was 180,000; in 1907 it was over 400,000; and for the first half of 1908 it exceeded 500,000. This remarkable movement is influenced by several causes, of which the glowing reports of soldiers who served in the Far East of the fertility of that region and the agrarian depression in European Russia are probably the more potent; but it could not have obtained its present momentum without direct encouragement and support of the Russian Government. These immigrants are chiefly settling in the Ussuri littoral and along the Amur, a country which will, in the course of a few years, be made more accessible by completion of the proposed Amur railway. Russian newspapers have stated that the Government will actively encourage this migration until at least 5,000,000 Russians are settled in the Far East. If this comes about, as it easily may, and the Siberian railway is double-tracked, Russia will become so entrenched in the East that her position there cannot be shaken. Russia may never again be so amenable to external influence in the shaping of her eastern policy as she now is; a matter to be considered by other interested governments.

In considering Russia's probable attitude toward the fundamental issues of the Far Eastern Question — the "open door" and the integrity of China — some phases

shape themselves quite clearly. While she appears, for the moment, to be disposed to reach a compromise with Japan to the extent of agreeing to maintain the *status quo* in Manchuria, it is difficult to understand how the ambitions of these nations in eastern Asia can be made permanently to harmonize. There is not room for both of them to fully develop, for, while they are similar in the sense that each has the same general object, they are antagonistic in that both desire the same prize. A greater Japan will mean the knell of Russia's eastern policy; a greater Russia in the East may make impossible Japan's eventual supremacy there.

Between the two lies China, and a greater China will solve the question herself by maintaining international equilibrium in the Far East. If Japan retains her hold in Manchuria it is certain that Russia will not relax hers; to this extent will Russia assent, for the present, to Japan's designs. International interest now attached to Russia's attitude is in conjecturing, if pressure is brought upon Japan, by a single great power or by a combination of powers, to compel actual evacuation of Manchuria and real restoration of China's autonomy there, which side Russia will take. As to this, one cannot positively know, but there seems little reason to doubt that under such circumstances Russia will find it to her advantage to fall into line with other western powers. In opposing the maintenance of China's integrity and the "open door" Russia is now merely passive; she will not openly affront public opinion in America, England and Europe if it is rallied to the rescue of these principles. This gives assurance that to induce Japan and Russia to fulfill their obligations in the north will not be so difficult as some students of eastern affairs believe, and interference by other nations with this object does not necessarily carry with it a probability of war.

CHAPTER XXII

THE REFORM MOVEMENT IN CHINA

REAL STRUGGLE FOR REFORM BEGUN—FIGHT BETWEEN CONSERVATIVE AND PROGRESSIVE ELEMENTS—BASES FOR PRACTICAL REFORM—THE CHINESE GOVERNMENT ANALYZED—THE COURT—NOT OPPOSED TO MODERATE REFORM—THE EMPRESS DOWAGER—THE METROPOLITAN ADMINISTRATION—PROVINCIAL AND LOCAL ADMINISTRATIONS—VARIOUS BRANCHES INTERDEPENDENT—THE REFORM ISSUES—EXTRA-TERRITORIALITY—THE FOREIGN SETTLEMENTS—THE “RIGHT OF RECOVERY” DOCTRINE—POPULAR VITALITY OF THE REFORM MOVEMENT.

SPEAKING several years ago of the political situation of China, an eminent Chinese said to me:

“There are two possible futures for our nation; a reorganization of its administration on modern lines, or disintegration and a final lapse into complete foreign domination. China rapidly is nearing a parting of the ways, and she must choose her course while she may be permitted to choose.”

The fight between the conservative and progressive elements, the clash of old and new ideas which this utterance foretold is now in full swing. Internal forces which may destroy or regenerate the Empire are assuming definite shapes, are formulating policies and groups. For many years China has been playing at reform; her serious struggle with it has at last begun.

Practical reform must in China, as elsewhere, shape itself out of materials already to hand, and this means

modification of existing conditions and governmental forms. The Chinese Government has been for centuries and is to-day divided into four major segments: the Court, the metropolitan, provincial and local administrations. The Court is composed of the Emperor, the Imperial Household and the Manchu nobility. Theoretically, the Emperor is the source of all authority, but his actual power is circumscribed by laws and customs of the Empire, which he no more may seriously infract than may the King of England override the unwritten British constitution. The power of the Court in directing affairs of the Empire depends upon the personality of the Emperor, or that of some other member of the Imperial family. The Emperor Kuang Hsu was weak, and during the greater part of his reign the Court was dominated by the Empress Dowager, who exerted influence by exercise of stronger intellect and will rather than by possession of actual authority. Etiquette requires the Emperor to remain secluded, and he rarely goes among his subjects, so he is compelled to depend upon his councillors for information about political affairs; which induces a constant struggle among councillors and Court cabals to gain the ear of the Emperor or of that member of the Imperial family who for the moment dominates the Court. A strong Emperor may have great influence upon policies, but a weak one is supine in the hands of Court intriguers and clever ministers, and in the past frequently has had only a vague conception of Imperial affairs.

Closely allied to the Court, influencing it or being influenced by it, as the case may be, is the metropolitan administration. In former times the province of the metropolitan administration was to criticize rather than to direct the provincial governments, but development of foreign relations of the Empire and necessity for national

action and direction of certain affairs has caused, during the last fifty years, a gradual extension of the central authority and the assumption by it of many functions formerly exercised by provincial officials. The development of transportation and communication facilities has tended to strengthen the grip of the Imperial Government upon internal affairs. Where it formerly took weeks for Peking to communicate with remote provinces, it may now be done by telegraph in a few hours. Journeys which formerly required months to complete may now be made, by ship and rail, in as many days; so officials can quickly be instructed, or summoned to Peking for consultation and admonition. It also is now possible quickly to dispatch troops to most of the provinces, which makes provincial officials more amenable to the authority of the central Government. In recent years it has become recognized by intelligent men throughout the empire that broader affairs of the nation cannot always be handled in conformity with provincial views and interests. The metropolitan administration includes the Grand Secretariat, Grand Council, and the nine boards, which may be compared to the Cabinet and executive departments in the United States, and which perform similar general functions.

Provincial administrations, and the local administrations under them, may be compared to States, counties, and townships in America. But provincial governments in China have exercised and still possess powers which never were conceded to our States. They levy and collect all taxes, except maritime customs, remitting a proportion to the Imperial Government; they have until recently maintained independent military organizations; they formerly conducted their own foreign affairs; they have had exclusive control until very recently of their

own currency. It may be said that the Empire was once composed of great semi-independent principalities comparable to the feudal system in Europe, and the Daimo regime in Japan. There always has been, however, this important modification: there is no stability of official tenure, such as was provided by a hereditary aristocracy in Europe and Japan. The hold of the central over the provincial governments, and the protection of the various provinces against aggressions of the others, has chiefly depended upon the authority of the metropolitan administration to appoint all provincial officials, the practice of never appointing an official to a post in his native province, and the frequent transfer of officials from the metropolitan to the provincial governments, and vice versa. Thus are the two administrations made largely interdependent, and development of excessive power by either is prevented by making each a check upon the other.

This brief and necessarily imperfect summary of the political institutions of China may help to an understanding and estimation of elements which impel and direct the reform movement. Such movements, to be successful, must have a sentimental slogan; and here this slogan is "China for the Chinese." This fundamental idea runs through all phases of the movement, and provides the basic doctrine for all political groups, although variously expressed. Put more specifically, it finds expression in the so-called "right of recovery" policy. This policy takes numerous forms, but all turn upon the following propositions:

- ✓ 1. The abolition of extra-territoriality.
- ✓ 2. Restoration of the fiscal autonomy of the Empire.
- ✓ 3. Abolition of residential districts, or "concessions,"

within the Empire which are under the administration of foreigners and outside the full jurisdiction of China.

✓4. Recovery by Chinese of ownership and management of concessions to foreign governments, and corporations which mask governments, such as mining rights and railways, and leased territory.

The relations of China to other nations, as expressed in treaties with them, have not materially changed since these treaties first were ratified. Most of them date back fifty or more years, and were negotiated at a time when the Chinese Government was unfamiliar with international relations, and of the forms which circumscribe them. Consequently, its commissioners were reduced to accept conditions to which no nation would think of consenting to-day. Intelligent Chinese now contend that foreign nations took advantage of China's ignorance to impose improper and unjust conditions upon her, but this is disputed. At the time these treaties were negotiated the situation was extraordinary, and while foreign nations pressed their advantage as far as was possible, most of their provisions may be regarded as fairly sensible measures, from a foreign standpoint, as conditions were then. While these treaties vary in minor clauses, all contain a condition which is the cause of great present dissatisfaction to Chinese.

This is called "extra-territoriality," and means that China conditionally has abdicated sovereignty over portions of her territory, and also over foreigners who reside within the limits of her domain. This condition, which is irreconcilable with real national autonomy and inconsistent with wholesome national pride, cannot be regarded by Chinese except as an anomaly, and only temporarily

tolerable. Yet it should not be wholly condemned without explanation of reasons which caused its adoption, and examination of its results. When foreigners first came to live in China, Chinese jurisprudence was (and still is from a western viewpoint) in a semi-chaotic state, and its code of punishments antiquated and barbaric. As trade with other countries grew and it became necessary for foreigners to reside in Chinese cities to facilitate business, it was recognized that the humanitarian spirit of western civilization could not tolerate the idea of submitting them to the jurisdiction of Chinese courts, especially in cases where punishment must be inflicted. In civil litigation, also, it was thought that Chinese jurisprudence was too complicated and its judiciary too corrupt, as the West understands corruption, to be a satisfactory resort for adjudication of international business disputes, or questions of personal liberty.

It is probable that when the treaties were negotiated the Chinese Government felt relieved at not having to bother with legal rights of foreigners in China. Foreign residents then were few, and some developments of recent years were not anticipated. So sovereignty over them was willingly surrendered to their own governments, and settlements designated, adjacent to the principal treaty ports, where they might, in a way, govern themselves. It may be recalled, in this connection, that similar conditions formerly existed in Japan. But as time passed, and the foreign settlements assumed important proportions, indeed became the chief marts of the Empire, various anomalies developed.

In illustrating some of these conditions, it is well to take the foreign settlements at Shanghai, for they are the larger and more important, and have developed greater complexities and more irritating points of friction. The

creation of treaty ports to a great extent concentrated business at those places, and attracted a large Chinese population, who came to live in the foreign settlements. This condition caused a question of jurisdiction over these Chinese. China, naturally, assumed that she still exercised jurisdiction over her own subjects in their own country; but this was disputed by the foreigners, who claimed full jurisdiction over the settlements, which necessarily meant jurisdiction over all who resided in them. The foreigners pointed out that control over the settlements was necessary to insure sanitary precautions, adequate police protection and substantial justice to Chinese and foreigner alike. In these contentions they were supported by their governments, and China compromised by partially yielding. It is now evident that, in accepting this condition, the Chinese Government did not fully realize what it was doing, or the consequences of its act.

It was agreed that foreigners should remain under the jurisdiction of their several consular representatives in most matters, and a Mixed Court was created to have partial jurisdiction over Chinese residing in the foreign settlements. For instance: in an issue between an American individual or corporation and a Chinese, if the American is defendant the matter will come before the American authorities, and be tried under American law; if the Chinese is defendant the matter comes before the Mixed Court, and is judged by Chinese law, or the municipal ordinances. Matters in which only Chinese are involved are tried by the Mixed Court. This Court is a peculiar institution. It is composed of two Chinese magistrates, and one assessor. The assessor is a foreigner, who, by gradual perversion of the probable intent of the treaties, now exercises power to veto a decision of the magistrates by refusing assent to their verdict. For exam-

ple, if the magistrates find a Chinese guilty of some crime and assess his punishment, the decision cannot be carried into effect without assent of the assessor. This is done, as foreigners put it, "to secure justice"; which hardly is a valid reason, ethically, since if a court is created and given certain jurisdiction it should be assumed that it will do substantial justice. Many foreign lawyers who have studied the working of Chinese jurisprudence hold the opinion that very substantial justice usually is done. If this was not true, Chinese would long ago have overturned their Government. But Chinese and western ideas of justice differ, and the Mixed Court evidently aims to strike an average. There is no valid reason why a foreigner should not sit upon a court where foreign interests are adjudicated, in a country where extra-territoriality obtains, but the validity of foreigners interfering with purely Chinese justice has been questioned. Here is a delicate matter, and while the logic of the situation clearly is against the foreign contention, peculiar circumstances give the matter a somewhat different aspect. Many Chinese punishments are intolerable to the western mind, and foreigners in China hold that they should and do have the moral right to prevent such punishments from being inflicted even upon Chinese within limits of the foreign settlements. So, if a Chinese magistrate imposes what the assessor considers a too severe sentence, or an inequitable decision, the assessor will advise its modification.

It will easily be seen that this system produces innumerable opportunities for friction. Yet there is little friction, as a rule, between magistrates and assessors, who in most cases work amicably together, advising with each other, and making mutual compromises, not very differently from the method of reaching decisions in western courts



A WEALTHY CHINESE IN HIS MOTOR CAR.

where more than one judge sits. And, rather strangely, it appears that foreign assessors intervene more often to secure severer punishments, than they do on the side of leniency. Taken as a whole, it seems that the Mixed Court dispenses substantial justice, notwithstanding its obvious incongruities. The relation which the Mixed Court bears to jurisprudence in the foreign settlements at Shanghai will be appreciated when I say that the foreign population of the settlements is about 15,000 and the Chinese population two-thirds of a million. These are in addition to residents of the Chinese city, immediately adjoining the foreign settlements, which has a population of half a million more. Chinese law prevails in the Chinese city. It is, perhaps, significant that since the founding of foreign settlements the Chinese city of Shanghai has not materially increased in size, while the settlements have grown as indicated. It thus seems that many Chinese prefer the government of foreigners to their own. But anomalies growing out of extra-territoriality have, at times, led to serious disturbances; and if there is to-day any universal sentiment among Chinese it is that in the future, if China remains a nation, foreigners must take a similar position there as they now occupy in Japan and other countries.

Desire to recover full control of the Empire's fiscal affairs, and of railways and mining concessions, is due to realization that such enterprises have been in the past and are now used by some nations as means to advance foreign political interests and designs in China, and further to cripple and infringe upon the Empire's autonomy. Indeed, it may be said that the reform movement has its origin in fear; a fear that unless the Empire gets into step with modern progress it eventually will cease to be a nation. It is recognized even in China that abolition

of extra-territoriality must wait upon actual accomplishment of reform, but the recovery of other concessions has already begun. It is possible to cancel any or all of these concessions for a consideration, and this has recently been done with two important ones, the Canton—Hankow railway and the Peking Syndicate. It is significant, however, that the two concessions thus recovered are ones from which political peril was least to be apprehended. Furtherance of this policy depends upon extension of internal reforms, and this gives to the reform movement genuine popular vitality.

While its preliminary mutterings were heard before, this movement is a growth of the last decade; and even in this brief period it has assumed two distinct phases, which may be differentiated as theoretical and practical. As a rule governments are nagged into instituting reforms, and China is no exception. In her case the hecklers are the foreign powers, whose nagging is expressed in the usages and insistent demands of modern western civilization and progress. Her humiliating defeat by Japan, in 1894, jarred China's rulers into partial awakening. Among those who listened to the message of those events was Emperor Kuang Hsu, then twenty-five years old. His Majesty was becoming impatient under the restraint imposed upon him by the Empress Dowager, who had, as regent during his long minority, ruled the Court with a strong hand, and who then was opposed to the adoption of western methods. Unfortunately, Kuang Hsu did not possess the qualities of mind and will which the occasion demanded. In his enthusiasm he took as advisers a number of so-called "advanced reformers," Chinese who had superficial knowledge of western institutions, but whose ideas about applying them to China were impractical at that time. Under this influence the Emperor disregarded the advice of elder

and more conservative councillors, such as Li Hung Chang and Prince Ch'ing, and plunged into an ill-considered and almost revolutionary, as political China then was constituted, programme. Kuang Hsu's intentions were good, and undoubtedly inspired by patriotism, and a stronger man might have carried them through to at least moderate success. But he was unable to do so. The Empress Dowager resumed the reins of power, and those of Kuang Hsu's reform advisers who did not flee the country were imprisoned or executed, or if their rank was too high for this summary method they were sent into retirement. The group of Chinese officials who realized that reform was necessary and must come, but who, as practical administrators, knew the futility of making haste too rapidly, acquiesced in resumption of power by the Empress Dowager, recognizing that she was the only legitimate influence through which the Emperor could be controlled. Li Hung Chang sided with the Empress Dowager; and his principal lieutenant, Yuan Shih-k'ai, placed the Empress Dowager under lasting obligation by his assistance at the critical moment, and thus laid the foundation for his subsequent influence at Court. This is the sequence of events which culminated in what is known as the *coup d'etat* of 1898. From then until his death Kuang Hsu was a broken and spiritless man, and of slight influence in the Government. He became afflicted with melancholia, which is said to have undermined his health and mind. Yet history may credit him with having inaugurated reform in China, for out of his abortive attempt a practical phase of reform sprung.

What might have been the fate of reform in China had the influence of the Empress Dowager, which was undoubtedly malign in its relation to this movement, been permitted to pursue its normal course may only be con-

jected, and is of minor interest now, for it was not destined to dominate. Greater forces were at work. The heckling continued, became steadily more insistent and urgent. China had been caught in the current of world progress, and was powerless to resist its influence. Anti-foreign sentiment made a final effort which brought on the "boxer" disorders. Its failure, the occupation of Peking by foreign troops, the flight of the Court to Shensi, and a large indemnity were chastening to the reactionary spirit, and it never will resume its former aspect. Then came the series of foreign encroachments upon China's territory, the Russo-Japanese war, and revival of the "sphere of influence" doctrine. Chinese statesmen at last fully realized that the fate of the Empire hung in the balance; it became a question of whether China would undertake reform for herself, or become the subject of a foreign-made brand of it, with probability of temporary and perhaps permanent loss of autonomy.

The relation of the Court to the reform movement is interesting, but not, I think, so important as some commentators seem to believe. It has been modified since 1900, even the Empress Dowager having felt the force of constant pressure at external influences. It is apparent that during the last few years the Court has come to realize that reform is inevitable, and has been concerned about it only in so far as it may affect the reigning dynasty. Even under the regime which was terminated in November, 1908, by the double mortality, the Court latterly did not oppose reform as such, but only that brand of reform which aimed at deposing the Manchus. There is no Chinese pretender to the throne. The Ming line practically is extinct, and even leading native revolutionaries realize that no living descendant of the Mings is capable of bringing China safely through her present crisis. But,

nevertheless, anti-Manchu sentiment is perennial in some parts of China, always may be invoked to support any movement which gains popular approval, and, therefore, always must be considered. I was informed when last in Peking that the attitude of the Empress Dowager underwent a radical change within two years which preceded her death, or since some results of the Russo-Japanese war became appreciated at Peking. Her Majesty seemed to have at last come to understand that the real peril which threatens China cannot be met with old methods; that there is less danger in reforming than in not reforming. She even was at times solicitous about the reform programme, which she showed by favoring the rise of Yuan Shih-k'ai and foreign educated Chinese who composed the group of which he was the leader. In fact, there is little doubt that for some time before her death the reactionary political potency of the Empress Dowager was more imaginary than real, and she did not dare squarely to set herself against the progressive element, although repeatedly urged to do so by the reactionary cabal which has until recently dominated the Court and the metropolitan administration, and which has wit enough to perceive that real reform means an end to its influence. Her Majesty apparently was content with trying to assure continuance of the Manchu dynasty, and to that end she assented to the designation of Prince Pu Yi to succeed to the throne, and to his father, Prince Ch'un, as regent during the Emperor's minority. This programme once definitely agreed upon by controlling influences of the Court and metropolitan administration, which was done some time before Tsi-an's death, probability of dissension in this quarter was removed.

There remains, however, the anti-Manchu faction, which is presumed to include a majority of Chinese

people and officials, and which probably does, so far as sentimental feeling is concerned, but this sentiment is so circumscribed by circumstances and conditions that it has now no practical means of expression. It would prefer a Chinese on the throne; but there is none of the Chinese royal line who is fitted for the place; thus the sentiment is without a focus. In this connection, it may be well to glance at component parts of what is broadly denominated the reform movement, for this has several factions, each somewhat antagonistic to the others.

CHAPTER XXIII

THE REFORM MOVEMENT IN CHINA — *Concluded*

A LEADERLESS MOVEMENT — REFORM PARTIES AND GROUPS — THE KA-MING-TANG — REFORMS ADVOCATED — INFLUENCE OF THE "STUDENTS" — THE CONSERVATIVE REFORMERS — YUAN SHIH-K'AI — THE PROPOSED CONSTITUTION — THE KAO-LAO-HUI — IDEALS OF THE EXTREME REVOLUTIONISTS — SEEKING A CHINESE NAPOLEON — SPORADIC ATTEMPTS AT ARMED REVOLUTION — THE CONFUCIUS GROUP — COURSE OF PRACTICAL REFORM — CHINA'S FISCAL SITUATION — EXCELLENT CONDITION OF THE EMPIRE — THE NATIONAL DEBT — FISCAL POSSIBILITIES — THE SPECTRE OF FOREIGN INTERFERENCE — DANGERS TO CHINA'S AUTONOMY — COMPETENT OFFICIALS NEEDED — EDUCATION OF CHINESE ABROAD — WANING OF JAPANESE INFLUENCE — REFORM MOVEMENT SHOULD BE TAKEN SERIOUSLY.

THE reform movement has not at present any recognized leaders or regular organizations, but it has fallen into groups which can be identified. The more influential party is the Ka-ming-tang. It includes a major proportion of enlightened Chinese, the predominating commercial element, and draws its leaders chiefly from among those who were educated abroad. While it advocates what are to China advanced ideas, it wishes to accomplish reform by peaceful means and without too abruptly upsetting the old order. It demands a constitution and an assembly, but does not aim at overthrow of the monarchy, and is willing that the present dynasty shall continue to

reign provided it will not obstruct progress of the empire on modern lines. Among specific measures which it urges are currency reform, fiscal revision, revision of the legal codes and reformation of the judiciary, substitution of a salaried civil service for the "squeeze" system, further increase and more exact definition of the powers of the central Government, a modern army and navy, a modern educational system, a revision of the industrial system of the country and its establishment on a modern basis, creation of a complete system of railways throughout the Empire, and promotion of a larger Chinese merchant marine.

While all who associate themselves with the Ka-ming-tang or who (as do some high metropolitan officials) indirectly encourage it favor in some degree most of the reforms here enumerated, there is great difference of opinion as to ways and means. The younger generation of reformers, usually called "students," are impatient at any delay, and insist that these reforms be undertaken at once and simultaneously, while older heads, like Prince Ch'ing, Chang Chih-tung and Yuan Shih-k'ai, advocate more deliberate procedure.

Then there is the Kao-lao-hui, or revolutionary party. This group advocates armed revolution, deposition of the Manchu dynasty, and complete overthrow of the present regime. Its leaders principally are Chinese who were associated with the unsuccessful attempt at reform which preceded the *coup d'état* of 1898, and who since then have lived in exile. They contend that genuine reform is impossible except by uprooting the old tree and planting another in its stead. This party has drawn to it dissatisfied, restless and unruly elements among the people, remnants of the Taiping rebellion, anarchists and nihilists. It also includes, no doubt, some sincere and patriotic men, but these are rather of the visionary type



MODERN CHINESE ARMY OFFICERS.



THE NEW CHINESE ARMY. TROOPS MANEUVERING.

in politics. Some of these desire to create a republic, but more intelligent ones probably know that a republic is impossible as China is now constituted, and prefer to place a new dynasty on the throne, founded by an Emperor selected from the ablest of the revolutionary leaders. In short, the ideal of the Kao-lao-hui is to discover a Chinese Napoleon who will regenerate the Empire and lift it into the front rank of nations. Its leaders are agitators rather than reformers, if I may make the distinction. Some of them are believed to be in the employ of governments which desire the disruption of China, and are supplied with funds. They have established themselves at places near to China, at Hong Kong, Singapore, Saigon, Macao and in Japan, where they continue their propaganda, and whence they smuggle arms and ammunition into China in preparation for a great rebellion. It may be that some of these so-called reformers merely are dupes of agencies which seek to accomplish the disruption of China, but there is slight reason to doubt that others consciously and for selfish reasons lend themselves to this work. They come to the front on occasions when events bring China into the light of international publicity, and news agencies controlled by interests unfriendly to China spread their views throughout the world. It safely may be asserted, however, that the influence of these agitators upon the internal affairs of China is negligible, whatever impression to the contrary they may be able to make upon international opinion. Occasionally they create a temporary disturbance, such as the invasion of Yunnan in the spring of 1908; but the propaganda and aims of the Kao-lao-hui are discredited by better classes of Chinese, and of course also by the Government, which recognizes the futility of its methods and the sinister motives

which provide the source of much of its material support. It does not appear that the Kao-lao-hui is now strong enough to organize a serious and dangerous revolution, but its activity keeps the Government uneasy and indirectly helps more temperate reformers by exciting the fears of the Court.

There is a third group, the so-called Confucius party, which clusters about Duke Kung, a lineal descendant of Confucius; but its influence hardly is worthy of serious consideration.

For many years — this was an old and established hypothesis when I first saw the East, ten years ago — it was believed by many students of the situation of China that a political cataclysm would follow the death of the Empress Dowager. This remarkable woman is dead, and almost simultaneously the medium through which she is popularly supposed to have ruled — the Emperor — also expired; a coincidence not usually included in estimating the effects of such an event, and which reasonably might be presumed to augment its disturbing phases. Yet China took her crisis quite calmly, and as yet betrays no inclination to indulge in hysterics, thereby confirming the opinion of those, of whom I am one, who believe in the fundamental stability of her institutions, and have had confidence in the ability of her statesmen to cope with a situation so absolutely and definitely foreseen.

It should not be assumed, however, that because China thus holds herself in leash in these critical circumstances the events of November, 1908, lack importance. On the contrary, they are of tremendous significance to the entire world. The relation of these events to the future of the Empire has not been overestimated; it is only in their consequent manifestations that pessimistic predictions have so far failed of verification. The fact that the long-

awaited event occurred, and, from a sensational viewpoint, "nothing happened," is as significant as a revolution would have been. The demise of the two monarchs does indeed mark the beginning of a new era in China. It starts the ship of state upon another tack, and in attempting to calculate what the new course will be it is necessary to consider elements which will influence and perhaps determine it.

A powerful factor in China's present situation is provided by external influences which bear upon it, which already have been referred to. These derive vitality from ambitions that are focused upon the fate of the great Empire, designs which some nations have upon its vast territory and resources, and interests which some other nations have in preserving its integrity. The essential thing which China has to consider is that, in her present comparative helplessness, she must strive to create a balance of power among these external elements, through emphasizing their diversity of interest, which will prevent the hostile ones from descending upon her; and while she is in this situation, which it will require years to correct, she must take care not to permit a condition within her own borders which will invite or may be made an excuse for foreign intervention. This spectre of foreign interference is the force which welded together, for protection of the nation, internal political elements which otherwise might have made the occasion of the death of the Emperor and Empress Dowager an opportunity to try to seize the reigns of power, and to inaugurate a revolution. Thus, to a certain extent, have ambitions which seek advantage through dismemberment of China contributed to sustain her stability in an hour of stress. Intelligent Chinese realize that serious and disorderly dissension among themselves, or among the major seg-

ments which constitute their Government, will provide an opportunity for foreign intervention, and so care has been taken to make such an occurrence practically improbable. Thus, to one who understands the real situation in China, the pacific nature of the *coup d'etat* of 1908 is in no way surprising. Announcement of preparations made by some powers in anticipation of disorder in China, and pessimistic views of the situation which emanated from those sources as the crisis was formulating, afforded evidence that fears of Chinese statesmen were not imaginary and that their precautions were not without reason.

When I was in Peking, in the spring of 1908, I learned that the nomination of Prince Pu Yi and the regency of Prince Ch'un had been decided, and that in anticipation of the death of the Emperor, which might occur at any time, the new Chinese army (now about 120,000 strong) had been disposed with a view to suppression of any attempt to foment disorder. Troops were distributed throughout the provinces where it was thought trouble might begin, and several divisions were kept in readiness to proceed to points where they might be needed. Three divisions were retained in the vicinity of Peking, under officers friendly to the progressive element, and the garrison of the city was doubled. Except in remote localities, which are subject to frequent disorders of a local character, and whence such a movement cannot quickly spread, it was not feasible for an insurrectionary movement to get a start. These dispositions were made under the supervision of Yuan Shih-k'ai, who is responsible for creation of the new army.

The long-expected demise of Kuang Hsu was, however, given a dramatic turn by the almost simultaneous death of the Empress Dowager, a coincidence deemed by some sufficiently extraordinary to be the basis of a theory that Her

Majesty's end was hastened by Court physicians in the interest of national or factional polity. Such incidents are quite common in the history of Oriental States, and are not unknown in China. It frequently has been quietly asserted in Peking, moreover, on occasions when the succession to Kuang Hsu was discussed, that the Empress Dowager would not survive him. Such rumors, coupled with the coincidence attending the deaths, appear to be the only tangible foundation for reports that the Empress Dowager was assassinated; and in the absence of definite evidence, which, in the nature of things, is not obtainable, official statements of the Government may be accepted.

However the manner of her demise, it may be that fate chose an opportune moment to call Tsi-an to join her ancestors; opportune, that is, for the best interests of the Empire over whose destiny she exerted such an unusual influence. The career of Her Imperial Majesty is now interesting only as history; it is with the future of China that the world chiefly is concerned. It is, then, satisfactory to note that the prospect before her is improved by these events. A new regime has been peacefully inaugurated. It is probable that the progressive element—the practical reform party—becomes more firmly established in influence and power. For the first time in the history of the Empire the supreme authority is exercised by a man who has seen something of the world, whose mental vision is not limited by the walls of the Forbidden City. Prince Ch'un is a young man, born and reared during the period when modern ideas have gained foothold in the East, and has observed the West with his own eyes. He, therefore, can do what no other ruler of China has been able—estimate his country in comparison with other great nations, in the

perspective of modern conditions. This justifies a reassuring view of his attitude toward the problems which confront China.

The dismissal from office of Yuan Shih-k'ai, soon after Prince Ch'un assumed authority, created an unfavorable impression in the West; but it is premature, I think, to regard this act as intimating a reactionary policy. In estimating this incident certain peculiarities of official tenure in China should be considered; the tendency of factions to prevent any from becoming too powerful, and which frequently causes reorganization of the metropolitan administration. Any Chinese official by possessing extraordinary ability, and by preferment in the Government through its exercise, thereby inevitably will incite antagonisms which will seek to accomplish his downfall. Yuan Shih-k'ai is subject to this rule, and there is at Peking an influential faction composed of elements hostile to him personally, and which draws support from various and in themselves incongruous motives. The ascendancy of Prince Ch'un, who is believed to be inimical to Yuan Shih-k'ai because of the part he took in the *coup d'etat* of 1898, provided an opportunity for factions hostile to Yuan and the ideas he represents to combine to secure his dismissal. These personal vicissitudes among higher officials are common in China (we may recall those of Li Hung Chang), and Yuan has experienced them before. It is, nevertheless, easy to understand why his dismissal at this juncture caused some uneasiness. He is a moderate and practical reformer, as distinguished from enthusiasts and revolutionaries, and occupied the position of a sort of political balance wheel at Peking, by possessing to a considerable degree the respect of all factions, and the confidence of the foreign diplomatic body, which made him an influence for stability. It is not probable, however,

that Yuan's elimination, if it is permanent, will cause a clash between extreme factions of the reactionary and revolutionary groups. Either of two courses seems probable: That Yuan permanently will remain in retirement, and another reform leader become prominent; or his deposition, especially if followed by reprisals upon other officials who have belonged to his group, may excite such opposition among the Chinese (as distinguished from Manchu) party that an internal schism may threaten, whereupon, if this assumes a serious aspect, Yuan may be recalled in order to restore equilibrium. If this dismissal results in final elimination of Yuan Shih-k'ai as a factor in the development of the Empire it will indicate that he is not indispensable; or if he really is as necessary as some assume, the Government will find it politic to recall him. Judging by what he already has accomplished, Yuan may be very useful to China. His retirement is interesting from an international viewpoint chiefly because it removes, at a critical time, a formidable opponent of aggressions of Japan and Russia in Manchuria. In any event, one hardly may assume that reform is endangered. Reform has reached a point when it does not depend for eventual success upon any single individual or faction, but moves automatically and irresistibly, impelled by forces which reactionary cabals cannot more than temporarily check. That a period of uncertainty and reorganization would follow the demise of the Emperor and Empress Dowager was inevitable, and it is not more disturbing in China than usually is the case, under similar circumstances, with other Governments. The progress of reform there will be attended by periodical eruptions, but none will long retard the grand march of events.

In the Court circle, which heretofore has been hostile to progress, Prince Ch'ing and Prince Pu Lun may prom-

inently figure. Prince Pu Lun also has been abroad, having been special commissioner for China at the Louisiana Purchase Exposition in 1904. He is thought to be a moderate reformer, and progressive in his ideas. It will be a novelty to see the Court controlled by men imbued with modern inclinations, a striking contrast from a Court influenced by lamas and eunuchs, and tied to the past by a host of effete customs and superstitions. This may mean that the Court from now on will encourage the reformation of China's institutions; it even may become the leader in this movement. A progressive Court is all that is needed to make reform a certainty of the near future. That it is entirely practicable, so far as conditions are concerned, is evident to any who study China, her institutions and her people with open eyes. Those who, obsessed by old notions of the East, cannot escape from the state of mind which they induce, may continue to be pessimistic about China; but the best sentiment of the western world will wish her success in her new aspirations.

While the effort to secure a constitution and assembly in China may excite sentimental interest in America and Europe, this ambitious reform now promises less practical results than other proposed measures. China can wait for a constitution and representative government. These may in time assist to regenerate the Empire, but liberal institutions are not necessary to accomplish important matters which must quickly be undertaken. The abolition of extra-territoriality also can wait. But recovery of pseudo-political foreign concessions and leaseholds, extension of a modern educational system, the creation of a modern army and navy chiefly require money; and to get money China must reform her financial and fiscal systems. Here,

then, is where real reform must begin. These reforms will make possible all the others.

In attempting to analyze the financial and fiscal condition of China, one encounters a serious difficulty at the outset in that no official statements bearing on the matter ever have been published, and the Chinese Government professes to be ignorant of revenues and disbursements except those which accrue to the central administration. The greater part of the revenue is disbursed by provincial authorities, and each official, from viceroy to petty mandarin, endeavors to keep secret the amount of taxes collected, since all above a certain amount is retained by him as his official perquisite, and if the central Government suspects that any province or district is yielding more revenue or can be made to yield more than is returned upon it may increase its demands. This system, usually called "squeeze," makes each official anxious to represent the taxes collected in his district at the minimum, and the central Government and Court does not object as long as it gets its correct proportion. Although metropolitan officials often pretend to be ignorant of provincial and local revenues, they really are not, for nearly all metropolitan officials have held local and provincial posts. The revenues of every province and district are approximately known, although they vary considerably in good and bad crop years, and are affected by business conditions and natural disasters. Most lucrative official posts are secured by purchase, which is evidence that their fiscal possibilities are known, since none would purchase a "pig in a poke." The "squeeze" system is a complex and elaborate combination of checks and balances, probably designed in the beginning to keep the people ignorant of how the revenues are handled and to prevent any official from getting more

than his share. The more I see of China, however, the more I am inclined to think, while fully appreciating economic defects of the "squeeze" system, that much western criticism of it is based upon the dogma rather than the essence of morality, and fails to consider the complete cycle through which the laws of compensation and equalization operate here.

Revenue in China is collected under the following heads: Land tax, tribute, native customs, salt gabelle, *likin*, maritime customs, and miscellaneous. How much revenue these various sources yield has been the subject of investigation and inquiry by foreigners with a view to learning something of the foundations of China's taxable wealth as a basis for estimating her solvency, but results that have been obtained are deduced largely by comparison and analogy. Nevertheless, some estimates are believed to be fairly accurate, and are founded upon reasonable deductions from known facts. The estimated revenues of China for the year 1907 follow: Imperial administration (about) \$68,000,000.00; Provincial administration (about) \$116,000,000.00; Local administration (about) \$28,000,000.00: total \$212,000,000.00. Many persons who have investigated the matter believe that fully three times this amount actually is collected, and Sir Robert Hart estimated that the revenue can be raised to \$600,000,000.00 without materially increasing taxation, by reforming fiscal administration. Other experts have computed that China can secure a revenue of \$1,000,000,000.00 a year without burdensome taxation. With such a revenue and an economical administration China's fiscal situation would be superior to that of most greater nations, and she could easily and quickly recover by purchase concessions now held by foreign governments, for with her credit once firmly established she can

redeem these concessions and leaseholds by bond issues.

Until the end of the war with Japan, China had practically no national debt. An indemnity to Japan and a further indemnity to the powers on account of the "boxer" disorders in 1900, together with some minor loans, created a debt of approximately \$600,000,000.00, interest and principal to be paid in instalments. Part of these indemnities already are paid, and at present rate of payment, which China apparently has no difficulty in meeting, the debt will be cancelled by 1925.

An idea of China's fiscal situation is afforded by a comparison with Japan. If the Chinese were taxed proportionately per capita as Japanese now are, the national revenue would be about \$3,500,000,000.00 a year, and there is little reason to doubt that Chinese can pay such taxation as well as Japanese, for their earning capacity is approximately as large, while the wealth and resources of China are incomparably greater than those of Japan. In China the per capita annual interest and sinking fund charge upon the people is about 7 cents; in Japan it is about \$1.50. In China the per capita national debt is about \$1.40; in Japan it is about \$25.00. At the same per capita ratio as in Japan, China could carry a national debt of more than \$10,000,000,000.00.

Who will limit the possibilities which lie before a nation so situated? China is strong in all basic elements of national prosperity and power, and hardly can fail to work out a notable destiny if she is permitted to do so. But greedy eyes are fixed upon her, some hungry exchequers yearn to get at this vast storehouse. And so across the path of reform in China falls the shadow of foreign interference and coercion. The problem thus becomes a double one; to reconstruct internal administration while at the same time preserving the nation against disruption

from without, and it is the task of Chinese statesmen, if possible, to make each of these factors aid and support the other. A Chinese official who was educated in America recently said to me:

"The internal stability of China has been due to official jealousies. Her national existence now is due to international jealousies. The Chinese Government is indestructible from within, but is unable to resist external pressure. As we cannot tell when the international balance of power, which depends largely upon its balance of interest, will shift, it will not do indefinitely to depend upon it to preserve our sovereignty. This only can be done by developing a new national life, by reforming our Government."

Apart from fear of foreign interference, the lion in the path of reform in China is her official system, entrenched behind its bulwark of special privileges, whence it will not be routed without a hard fight. I doubt if the "squeeze" system nets to officials as great pecuniary returns as appears on the surface, owing to the interlocking brood of beneficiaries which feed upon it, but it is firmly rooted in custom and habit, and cannot be replaced by a salaried list without disturbing the whole administrative fabric. This must be done, however, and in time it will be done. The "squeeze" system stands in the way of nearly every practical and needed reform which is now being considered. It would be comparatively easy to give China a stable currency if it was not for the opposition of provincial officials whose perquisites are materially fattened by their control of local currency, and the further opposition of foreign banks in China which profit by fluctuations of exchange. But China is no worse off in this

NANKING ROAD, SHANGHAI; A STREET IN THE INTERNATIONAL SETTLEMENTS.



respect than some other countries, for reforms which adversely involve powerful interests everywhere encounter strong opposition. Corrupt and conservative Chinese officialdom gradually will give way to necessity for reform because it must. Regarded purely as practical measures, every important reform now proposed in China is feasible; indeed, some of them can be accomplished more easily than would be possible in some western nations.

Some broad-minded Chinese officials recognize that a way out of China's fiscal difficulties may be found by seeking the help of American and British capitalists. These men believe that these two nations have no ulterior designs upon China, and realize that investment in Chinese debentures or corporations of a large amount of American and British capital will to a certain extent be a guarantee of the Empire's stability and a safeguard against hostile foreign aggression, and may at the same time provide means to reform the currency by creating a gold reserve. They favor a compilation of the Empire's financial situation and resources, and speedy development of railways and other enterprises by the introduction of foreign capital. But the popular phase of the "right of recovery" movement just now is in the foolish stage. Realizing the danger to China's autonomy from some foreign enterprises, many Chinese have jumped to the conclusion that it is desirable to shut out all foreign investors. This disposition was shown by the popular attempt to prevent the Shanghai-Hangchow railway from being built with British capital, and by frequent refusal of the Peking Government to sanction enterprises which contemplate the use of foreign capital. This sentiment to some extent is founded on just grounds, and is for the moment swinging the Government to the extreme of rejecting even friendly and desirable foreign investments. This idea, which is

quite natural under the circumstances, is ephemeral and unsound, and will pass. It will not be long before the good sense and shrewdness of Chinese will reassert themselves, and they will encourage desirable foreign investors, while continuing to reject those which have a pseudo-political bearing.

Notwithstanding the difficulties it is encountering, the reform movement has reached a stage when it must be taken seriously; indeed, it already has accomplished much. The new army is becoming an actuality. Many beneficial projects are afoot, not all entirely practical as now proposed, but intimations of a good spirit. The greatest need is for competent men; Chinese who are versed in modern administrative methods. A Chinese official of the younger generation said to me:

"The different rate of progress of China and Japan is exemplified by the way the two governments have used the students which they first sent abroad. Japan received back these men and gave them important places in the Government, while China buried her foreign students in minor positions which might have been filled by common clerks. Among the higher metropolitan officials to-day there is only one who was educated abroad. If China will use her own best material she will not long have cause to complain of lack of competent officials."

While there is justice in this complaint, it is also true that many of the later generations of foreign students have imbibed rather hazy and imperfect notions of liberal government, and would be bad advisers for China in her present critical situation. These enthusiastic young men have alarmed older officials by an excess of zeal, and by advocating a too sudden revulsion from long used forms.

Many young Chinese have learned something of the forms of western civilization without understanding their fundamental principles.

One of the significant manifestations of the waning of Japanese influence in China is the revulsion of opinion among Chinese about the desirability of a pro-Japanese education for the youth of China. It is safe to say that, at least for many years to come, fewer Chinese students will go to Japan. So far as it can without openly offending Japan's sensibilities, the Chinese Government is exerting its influence along this line. The direct reason is that many young Chinese who have, in recent years, been educated in Japan, have on their return to China become intemperate agitators. Feeling, however, that it is essential to progress of the Empire that many Chinese be educated abroad, the Government and gentry are considering where to send the students. Yuan Shih-k'ai once told me that experience has demonstrated that Chinese who were educated in America have shown better results; and that this was no idle compliment is proved by the fact that Yuan surrounded himself with men who studied in the United States. Angered by the severe administration of our exclusion law, and feeling for the moment that a suitable education could be secured in Japan or Europe, China was turning away from America. But the last two years have brought many changes, and one very striking indication of this is the almost instinctive turning of China toward the United States. The old feeling of trust and friendship toward America is reviving, and with it once more comes the wish to send young Chinese to our schools. The decision of the Government to use the restored portion of the "boxer" indemnity for this purpose is a practical demonstration of this sentiment.

The new educational movement is one of the more far-reaching elements of reform, since it directly or indirectly touches and influences all effort toward change. Modern schools are not new in China. Missionary schools and colleges have been maintained for many years, and the Chinese Government has taken steps to create a better system in the universities. Until within the last few years these moves have been hesitating and half-hearted, the Government chiefly being influenced by pressure from without. Now it is different. A stimulus from within is beginning to be felt. Chinese are coming to realize the benefits to be derived from modern education. It is estimated that in 1907 there were about 16,000 Chinese students abroad, of which 11,000 were in Japan, on account of the low cost of living there for Orientals in comparison to western countries. Chinese parents who can afford the expense still prefer to send their sons to America or Europe, but a course of education in Japan is within the reach of tens of thousands of boys who never could hope to get further abroad. But there remain the millions who are unable to leave China, and they are demanding facilities at home.

The full effect of this desire of the youth of China to acquire a modern education will not be felt for years, but this influence already is quite a power. Schools are being opened in all parts of the country. An interesting point is that these new schools, which as yet are chiefly sustained by private subscription, are supported by the gentry of the various localities where they have been established. Ten years ago the establishment of such schools would have been opposed by the greater part of the gentry, and by most officials. As the views of the gentry change, the official class is compelled to meet them, and reaction becomes more difficult.

A power in China is the new press, which, owing to extra-territorial conditions, is able to comment quite freely upon governmental affairs. It exercises a great influence upon the popular mind, and under intelligent direction can be made a great force for progress. Its initial enthusiasm is expended largely along what are, in America, called "yellow" lines. It is probable, however, that this inclination will be curbed, (indeed, the Government has taken measures to do so) and that there will be a reversion to more conservative methods; in fact, this tendency already may be noticed, since widespread attention has been attracted to the native press and the influences which control it.

CHAPTER XXIV

MODERN INDUSTRY IN CHINA

BEGINNINGS IN MODERN MANUFACTURING — ELEMENTS INVOLVED — CHINESE LABOR CONDITIONS — VAST SUPPLY OF HUMAN ENERGY — ADAPTABILITY OF CHINESE TO MODERN INDUSTRIAL METHODS — DEVELOPMENT OF MODERN INDUSTRIAL CAPABILITY — WAGES AND OUTPUT — COMPARATIVE COST OF PRODUCTION — ORIENTAL STANDARD OF LIVING — PROBABILITIES ESTIMATED — RAW MATERIALS — CAPITAL — HIDDEN WEALTH OF THE CHINESE PEOPLE — LACK OF ADEQUATE BANKING FACILITIES — THE CHAOTIC CURRENCY — STATUS OF MODERN INDUSTRIAL PROJECTS — RAILWAYS IN CHINA — THEIR EARNING POWER — FUTURE DEVELOPMENT — OPPORTUNITY FOR AMERICAN ENTERPRISE — BACKWARDNESS OF AMERICAN BUSINESS INTERESTS IN CHINA — CHINESE ATTITUDE TOWARD MODERN METHODS — POSSIBILITIES OF THE CHINESE MARKET — POSSIBLE EFFECTS OF CHINA'S INDUSTRIAL DEVELOPMENT UPON AMERICA.

NONE of the revolutionary forces now moving in China is more interesting to the West than her beginnings in modern manufacturing. In them some profess to perceive that bugaboo of western industry, already moving with noticeable impetus in Japan — the spectre of direct competition with Oriental labor, which may, in time, disturb the economic equilibrium of the world.

In China, as elsewhere, the main factors which must be applied to the creation of a modern industrial system are material, labor and capital. It is not often that all of these elements are found grouped in satisfactory pro-

portions in any single locality or country. Usually one or more have to be brought, frequently from afar, and it sometimes happens that all are conveyed from divergent places and assembled where they are combined to produce an article or accomplish an undertaking.

Of these elements the least mobile is labor, as a rule, and in the course of industrial progress, especially since it assumed its present form, the general tendency has been to bring material and capital to where labor is plentiful and cheap. No country in the world equals China in the amount of one kind of labor — human energy — that she has at hand. It is safe to say that no people excel the Chinese in industry, in the narrow sense of the term. They are willing workers, having existed for centuries under circumstances where idleness often meant starvation, and the aversion to manual labor now so noticeable in the West has never gained a foothold. All members of an ordinary family work. Until quite recently this labor was employed in old-fashioned ways, which, by limiting and confining its production, has kept wages at a low level and established the standard of living on a corresponding plane.

These conditions are now undergoing a transformation, the ultimate importance of which hardly can be overestimated. Modern machinery is being introduced into China as it has been into Japan. No intelligent observer of Chinese disputes their cleverness and adaptability when they can be emancipated from the antiquated ideas which for so long influenced them. Students of progress of the human race know that some important mechanical principles now universally applied were discovered by the Chinese, who used them in crude form thousands of years ago, and do still so use them. Yet some persons have until recently held the opinion that Chinese are unfitted for

modern industry. This idea, like many others once entertained about them, is now discredited. It is well established that Chinese readily adopt modern industrial methods, and quickly develop a fair degree of capability.

While these general facts are recognized, I think that some inaccurate deductions are made from them. Chinese have gotten over their prejudice against machinery, as they have discarded so many of their old ideas and superstitions, and with machinery they can produce many articles more rapidly and in some cases better than formerly were made by hand. But whether they will develop industrial capability and capacity equal to that which obtains, let us say, in America, is a proposition which is not to be granted outright, for it clearly involves other factors beside that part of labor expressed in human energy. Whether labor is dear or cheap depends not on the rate of wages, but on its efficiency. If a man receiving \$5.00 a day can accomplish something that requires the cumulative efforts of ten other men who each receive 50 cents a day, it is evident that the five dollar laborer is cheaper, in a broad industrial sense, since he can exist on less than the ten fifty cent laborers; and a comparison based exclusively on the rates of wages would be of little value in determining cost of production.

To estimate comparative cost of western and Oriental labor, under present and future conditions, involves consideration of some puzzling propositions. Where mechanical adjuncts are used, the relation of man to the machine never has been exactly determined; but results seem to indicate, everywhere, that machinery cannot to any great extent take the place of human intelligence, although it may replace physical human energy. If this may be taken as intimating a principle, mechanical devices accrue to the advantage of superior intelligence in labor.

At present the West has a decided lead over the East in this factor. The general condition of labor in China, as it now is applicable to modern forms of production, is very similar to that in Japan. Both countries now and must for a long time suffer from lack of what is known in western countries as skilled labor. Skilled labor is not the birthright of any people: it is a result of evolution. Orientals are skilled to a remarkable degree in many forms of production; but this skill is not of a character, as a rule, to be useful in modern industry. This modern kind of skilled labor now is largely confined to the West, and America, notwithstanding the comparatively high rate of wages which prevails there, produces many articles now stable in the world's commerce cheaper than they are produced elsewhere.

Another matter deserves consideration in this connection. While the standard of living now is low in the Orient, it is not so because of preference on the part of the people. Chinese and Japanese will live better if they can. The tendency wherever they come in contact with westerners is to advance their own standard of life. It seems to be inevitable that with further introduction of modern industry into China, and gradual development of skilled labor to operate it, there will be a disposition for laborers to advance their standard of living. A contrary result would be reversal of a universal human trait. And if it does happen, this question arises: Will not the disposition of Orientals to adopt a higher plane of living, and consequently to demand better wages, about keep pace with development by them of industrial proficiency in modern lines? If this should prove true, the economic account, based upon cost of labor, approximately will balance.

A factor in the development of a modern industrial sys-

tem in China is the labor guilds, which are analogous to labor unions in the West. These guilds, which embrace almost every form of labor, have great power, and can paralyze any industry in China by united action. It is reasonable to assume that they will be felt in the forthcoming evolution on the side of obtaining better conditions for the working masses. It even is conceivable that should labor unions in the West seriously begin to feel the pinch of Oriental wage competition, walking delegates will cross the Pacific and extend their organizations among Chinese, by affiliating with labor guilds there. Chinese labor unions are the oldest in the world, and present a solidarity not exceeded anywhere. Another matter sure to exert influence is that introduction of modern industry, with its attendant mechanical adjuncts, inevitably will disturb many existing industries upon which millions depend for a livelihood, thus creating antagonisms that will operate as a retarding influence.

The second element of industry, raw materials, has here the usual complexities. China contains or can produce nearly everything necessary to widespread industrial development, and here she has enormous natural advantage over Japan, which produces very little; but she is a long way from the time when these resources will be available in full measure. China probably has the greatest coal fields in the world; she has oil, natural gas, all kinds of minerals in considerable but uncertain quantities, and her climate encourages almost all forms of agriculture. The Empire is as rich in natural resources as the United States, and people to develop them also are there, if their efforts are intelligently directed. Obstacles, however, are numerous, and it will require years to remove or modify some of them. Probably the greatest present hindrance is lack of transportation, a factor vital to industrial progress in

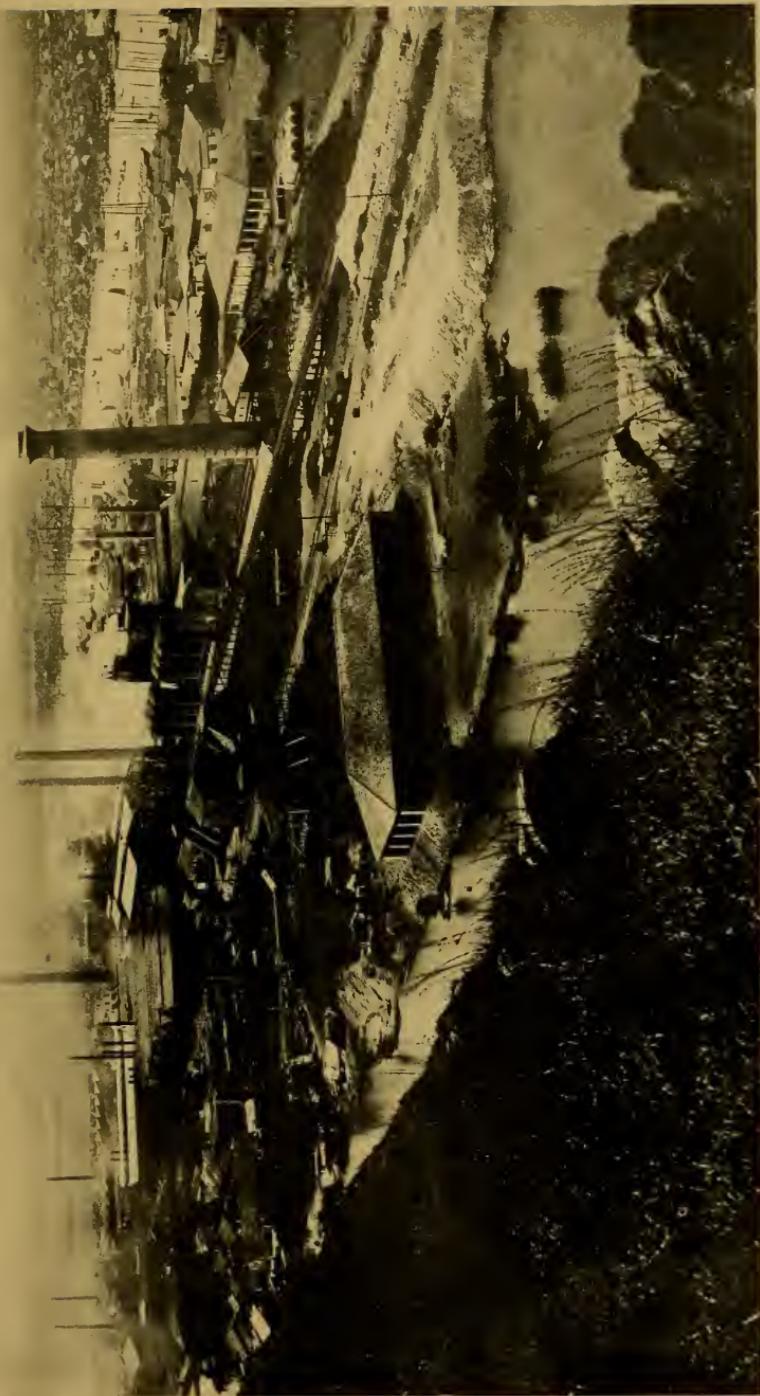
any country; but a railway system which will, in conjunction with waterways, make all parts of the Empire accessible is sure to be constructed.

Given labor and materials, the third necessity to development of closely organized industry under modern conditions is capital. This is the more mobile of the major industrial elements. Capital can be moved anywhere at small trouble and expense; so it requires no argument to show that capital can come to China if sufficient inducement is offered. There is great wealth in China, but conditions are now adverse to its application to the progress of the country on modern lines. It is not possible accurately to estimate the amount of capital which China could now produce. Conditions there have for centuries been such that wealthy Chinese endeavor to keep their wealth secret lest they become victims of official rapacity and exaction. The average Chinese is saving by instinct and custom. It is said that with growing prosperity a Chinese acquires possessions in the order named: a wife, good clothing and some gold leaf (pure gold beaten into thin plates). With greater prosperity he gets more wives, clothing and gold leaf, and an assortment of jewels and works of art. The amount of gold and silver bullion hidden away in China is known to be very large. It is believed that the Chinese people can produce a billion dollars of gold at any time if some means to induce them to part with it is found; just as the French, to the surprise of the world, brought forth hard money to pay the indemnity to Germany in 1871.

Notwithstanding the great bullion reserve which the people now have hidden, so to speak, in their stockings, and which represents the accumulations of centuries, China is not in a position alone to finance an extensive internal development. One drawback is that there is no Chinese

bank or institution capable of financing large enterprises; another disadvantage is the chaotic condition of the currency, which detrimentally affects all business interests except exchange banks and brokers. But the chief reason is that the country has no corporation law, nor law of any kind that affords adequate legal protection to large investments, except those promoted by the Government, such as would satisfy foreign capitalists or up-to-date Chinese. A result of this condition is that even Chinese enterprises are impelled to incorporate with foreign charters, and to establish their offices in one of the treaty ports where they may have foreign protection. This requires coöperation of foreigners and foreign banks, and these usually insist upon retaining entire or partial direction of the activities involved.

Modern projects are being promoted in all parts of the Empire. A waterworks is proposed for this city, an electric light and power plant for another, a telephone system here, an electric tram-line there, a flour mill yonder, and so on. Many of these projects are promoted by foreigners associated with China, and many now originate with Chinese promotors and capitalists, who show a growing disposition to exclude foreigners from ownership of them. This disposition, which is a passing phase of "China for the Chinese" sentiment, encounters difficulties among Chinese themselves. Chinese are very astute in business, and familiar with lax administrative methods in their own country. A Chinese usually is indifferent to this in official matters, but when he puts money into a project he wants a fair chance to secure his capital and profits. So Chinese are cautious about going into any modern enterprise with which foreigners are not associated, at least in the management. They may be anxious to exclude foreigners from the profits, but they gravely



GOVERNMENT IRON AND STEEL WORKS AT HANYAN, CHINA.

At this plant, which is managed by a Chinese with foreign assistants, steel rails and railway materials are made.

fear, under existing conditions, that without foreigners there will be no profits. Some Chinese devices to attract popular subscriptions to business enterprises are interesting, such as the plan to finance a railway by means of a lottery. Here is old China cropping up again. These are ephemeral phases, however. The prevailing movement is toward western standards and methods, and while the new idea may suffer temporary checks, nothing now can permanently turn it from its course.

It is probable that in the next twenty years China will lead the world in railroad construction. There are now 4,500 miles of railways in operation, more than 1,000 miles under construction, and from 2,000 to 3,000 miles of projected lines which are almost certain to be built soon. The two more important lines now operating are the Imperial Railways of North China and the Peking-Hankow railway. A statement of the receipts and earnings of the Peking-Hankow railway for the first two operating years, which was published in 1908, showed a net profit of \$1,600,000.00 per year. At this rate of profit the line will pay for itself, capital, interest and other liabilities, within fifteen years. The net profits of the Imperial Railways of North China for the years 1904-7 average about \$4,000,000.00 on a total mileage less than that of the Peking-Hankow railway. These figures will not be lost upon Chinese and foreign capitalists, since they demonstrate beyond peradventure that railways are profitable investments here. A foreign engineer told me that he believes that 50,000 miles of railway will be built in China within twenty years, and that the country now can support 250,000 miles of trackage. Once railway development gets fairly going, its progress may be comparable to that in America during the last quarter of a century.

This webbing of China by railways must excite interest in the West because of the enormous internal development which will attend it; and it also means a large market for railway materials and supplies. Here is a great opportunity for American manufacturers. British and European firms already are seeking this business, with excellent prospect for success; but they have no advantage over American firms except by the exercise of greater enterprise and more intelligent methods. I believe that other things being equal Chinese would now rather buy from America than from England, Europe or Japan. This item of railway supplies may serve to illustrate some disabilities under which American trade now labors in the East. These disabilities are partly due to inadequate governmental encouragement, and partly to indifference and lack of enterprise on the part of American manufacturers.

The stimulation afforded by the United States Government to American commerce in the East must be estimated by comparison with what other nations do. Several European nations have accredited "commercial attaches" at Peking, who are connected with their legations there and have, consequently, official standing. The duty of a commercial attache is to travel about the Empire, investigate and report upon commercial conditions, and suggest ways and means to promote the trade of his nationals. It is his business, also, to directly intercede in favor of projects advanced or promoted by his nationals. The commercial attache is really a national "drummer," but he has an advantage over the ordinary commercial traveler. His official rank gains him admittance to high Chinese officials and makes him socially *persona grata*. Thus he may have an opportunity while at dinner to engage a Viceroy in conversation about railway matters in general, and take occasion to suggest an arrangement whereby a foreign

firm will get a large contract. In this way projects can be directly broached to men who have power to decide about them, when they might never be reached through ordinary commercial channels.

In his own country or in any familiar environment the American business man has no superior, but in trying to do business abroad he frequently displays inferior intelligence and enterprise. The average American manufacturer resolutely shuts his eyes to peculiar conditions in the East, and often refuses to be enlightened even by his own agents. Now people who wish to do business with Orientals must try to understand them, and at least meet them and their ideas half way. There is not a trick or turn in the commercial game that Chinese did not fathom centuries ago. The only difficulty in selling them modern industrial products is in convincing them that they will profit by the transaction, and this requires explanation. Take an actual case for illustration. Learning that China intends to create a large modern army and navy, British and German firms which supply materials, including machinery, needed to carry out such a project, have sent agents to China to try to secure this business. These agents set up in style, and are introduced by diplomatic and consular representatives of their governments. Having got a foothold, they seek an opportunity to place their proposals before the Chinese Government. They will present a broad plan in which all the economies of the proposition, including a way to finance it, are set forth, and showing in detail how China will profit by the transaction. To prepare such a proposal requires expert knowledge and months of work, which is done by the best talent at the command of the foreign firms. The project involves not only arms and ships; it also must include arsenals where weapons and projectiles can be man-

ufactured, naval yards and docks, plants for making armor plate, factories for making all kinds of military and naval equipment, with drawings, plans and estimates fully illustrating every phase of the matter. Little by little all this must be expounded to Chinese officials who have responsibility in the matter until they are convinced. To carry through such a project sometimes takes several years, and rarely can be done in less than one year. Meanwhile, the agents of the foreign firms stop in China, live expensively and entertain liberally. This is the game as our competitors play it.

Consider the ordinary American way, still following, without mentioning names, an actual case that I know of. An agent of an American firm, which supplies materials needed for such a project, learned what is going on, and further learned that the Chinese, for political reasons, would prefer to place at least part of the contemplated orders in the United States. Any other government would have seen to it, through its official channels, that the desirability of this action was impressed upon Chinese; but not ours under the recent somnolent administration of our legation at Peking. In this case, the Chinese figured it out for themselves and took the initiative. An agent of the American firm saw a chance to reap the benefit of pioneering work already done by the English and Germans in getting the project before Chinese officials; so he wrote to his firm in America requesting it to prepare plans and estimates which might be used by him in presenting proposals. Instead of elaborate plans and estimates, in due time the agent received a brief letter, the gist of which follows:

"Let us know what they want and we will put in a bid."

In a momentary fit of disgust, the agent cabled:

"They don't want anything."

And this literally was true. In a large sense the Chinese do not want foreign products; they do not want to build railways, iron works and warships, cotton mills and machine shops. They would have been quite content to continue as they were in the ways of their forefathers. Change is being forced upon them. They now realize that it is inevitable, but they need to be convinced again and again of the necessity and advantage of each successive step, and here subtler methods of foreign competition enter and operate.

Directly contrary to the spirit of the American firm indicated by the foregoing illustration is the policy pursued in the East by two great American corporations — the Standard Oil Company and the British-American Tobacco Company. By persistent and intelligent work, by perfect organization and profound study of conditions, these firms have introduced their products into China and made them popular there. In doing this they have made a new market for two staple American products — oil and tobacco. The Chinese literally had to be taught to use both of these articles, and now their consumption of them is enormous, giving tobacco fields and oil wells in America value when otherwise they might be unproductive. As an example of methods used by these firms to create wants for their products among Chinese may be mentioned that the Standard Oil Company has introduced more than two hundred styles of oil consumers, suitable to all uses and incomes. Extraordinary pains has been taken to make an oil consumer of the poorest family. Recently this firm had manufactured in America a number of small lamps to be sold, through its Chinese dealers, for a few cents each. A shipment of 500,000 of these lamps was brought out, and one of the company's agents took some samples

on a trip into the interior for the purpose of showing them to Chinese dealers. His first stop was at a city on the Yangtze river, which supplies a large population in the country behind it. He showed the lamps to several leading Chinese merchants, who seemed pleased with them, and said they would take some.

"How many will you take?" asked the agent of one Chinese merchant.

"I will take 200,000," he replied.

"I will take 250,000," said another merchant.

"Hold on, gentlemen," said the agent, "go slow. We have only 500,000 of these lamps."

All orders had to be cut down so as to distribute the lamps equitably among the firm's distributors throughout the Empire, and the agent cabled to New York for another supply to be sent. This incident gives an idea of the market in China for any article which suits the needs of the people. It was not necessary to talk the Chinese merchants into buying these lamps. Their ready acceptance of them was the result of painstaking work done before. To supply these lamps a factory in America will be kept busy, and a large market for them is assured. Thus does the establishment of a market in China for one foreign article create a demand for many, and the enterprise of a few firms paves the way for others. If a hundred American firms were now pushing their interests in China like these two it would not be long before American trade in the East would assume a commanding position.

In respect to railway development in China, it behooves American manufacturers and financiers to bestir themselves if they wish to get their due share of business. Although Chinese are just now averse to having their greater enter-

prises financed by foreigners, this objection does not apply to America with the same force as to some other nations, and diplomatic effort can efface such sentiment in our case. There is opportunity for a group of American financiers to offer to finance the building of railways in China, at least in so far as supplies are purchased in America, taking railway or Government bonds in payment, thus giving the Chinese time to meet their obligations. Such proposals, countenanced by the United States Government in the sense of lending proper diplomatic support, will not be regarded by Chinese as having indirect political bearing, or as a menace to China's sovereignty. It is no longer possible to doubt that railways in China afford good security for foreign loans.

A more specific description of modern industry in China might be interesting; how armor plate and steel rails are made at Hanyan; how large guns and projectiles are manufactured at Wuchang; how locomotives and railway rolling stock are assembled and even completely manufactured at Tong-shan, Hankow and Wusung; how cotton mills are profitably operated at Shanghai; how bicycles and automobiles are built; the good qualities and defects of Chinese as mechanics and engineers. These matters play a part in creating the new China. The Hanyan iron works are providing many steel rails for the Peking-Hankow and Canton-Hankow railways, and the Government intends to make ship building materials. Some modern products are now produced in China more dearly than they may be purchased in Europe and America, but this is regarded as a temporary condition. That China is progressing industrially may not be doubted. The growth of the larger treaty ports continues to astound the occasional visitor. Real estate values in Hankow and

Shanghai have more than doubled within the last three years; in Shanghai half the streets were, when I was last there, partly blocked by building operations.

It may be too soon to attempt to draw definite conclusions concerning modern industry in China, but what has been accomplished significantly suggests its possibilities. That the subject possesses fundamental interest to America, to a greater extent, perhaps, than to any other western nation, is evident. The American people inevitably will be affected by industrial development of the East, and American statesmen should consider whether our relation to the question is to be supervisory and elective, making Oriental progress a reflex and sympathetic concomitant of our own by building it upon reciprocal principles, or whether it will proceed on unsympathetic and detrimental lines, perhaps be directed in a hostile spirit. Our natural advantages in trading with the Far East are apparent, and it is for the American people to say whether they will be utilized.

CHINESE GOVERNMENT ARSENAL AT WU-CHANG, WHERE SMALL ARMS, ARTILLERY AND AMMUNITION ARE MANUFACTURED.



CHAPTER XXV

AMERICAN TRADE IN CHINA

DEVELOPMENT OF CHINA'S FOREIGN TRADE — CONDITIONS WHICH SURROUND IT — THE MARITIME CUSTOMS — PROPOSED MODIFICATIONS — ELEMENTS INVOLVED — POSSIBLE EFFECTS — COMPARATIVE POSITION OF FOREIGN POWERS — GROWTH OF AMERICAN TRADE — SECOND TO GREAT BRITAIN — PROGRESS WITHOUT ENCOURAGEMENT OR STIMULATION — AMERICA'S COMMERCIAL RIVALS IN CHINA — POSSIBLE DEVELOPMENTS — LAND-BORNE TRADE REGULATIONS — FACTORS IN THE COMING STRUGGLE — METHODS OF COMPETITORS — FOREIGN BANKS IN CHINA — INCREASED CONSUMPTION OF FOREIGN PRODUCTS — CHINA'S POWER OF COMMERCIAL RETALIATION — THE GUILDS.

In attempting to estimate the future of American trade in the Far East, it is interesting to consider the present and prospective positions of America's chief rivals in that part of the world, and means employed to advance their interests. The conditions and circumstances under which foreign commerce with China has so far developed probably will continue for a considerable period unless the Empire falls into pieces. Since 1842, when she lost her tariff autonomy and fell under the partial domination of foreign powers, in respect to this important branch of her fiscal system, China's foreign trade has progressed along fairly equitable lines, usually unattended by the upheavals which accompany commercial development in most countries. But new elements are constantly injected,

some of which carry possibilities of significance to the United States.

To understand the general trade situation in China it is necessary briefly to review some of the conditions which circumscribe it. When China became indebted to foreign nations, the state of her fiscal system was such that she was required to guarantee payment of interest. Her only tangible asset at that time which could be safeguarded for the purpose was revenue produced by the maritime customs. In time it became evident that this guarantee would prove ineffective and insecure unless a way was devised to assure efficient administration of the customs; so that part of revenue produced by tariff upon goods imported from abroad was set aside, and placed under supervision of foreign administrators. Thus began the system which, under the management of Sir Robert Hart, has until quite recently progressed with comparative satisfaction to all concerned. The tariff was designed solely as a revenue measure, and was fixed at the uniform rate of 5 per cent regardless of the character of articles. The method of appraisement has varied somewhat in the course of time, and is now based on fixed valuations as shown by market prices in certain years, on which specific duties are charged. For many years this system produced a greater revenue than was required to pay interest abroad, the balance going to the Imperial Government. This gave the Government an interest in the efficient administration of the customs, and Sir Robert Hart and his subordinates were permitted to work undisturbed.

However, this condition no longer exists, and there is evidence of inclination by the Chinese Government to take over the administration of the maritime customs. Chinese administrators were appointed in 1906 to act with Sir Robert Hart, and many persons in China believe

that this move is preliminary to gradual restoration of the customs to Chinese management, although international pressure has so far preserved the *status quo*. The reasons for this disposition of the Government have two bearings. Within the last ten years, by having been compelled to pay indemnities to Japan and other foreign powers, China's foreign debt has greatly increased, with a result that the customs revenue no longer produces a surplus which goes into the treasury. Thus the Government no longer has a direct interest in maintaining its efficiency and integrity, since all the revenue it produces goes abroad. The official class always has opposed the system, and growing restlessness of Chinese under foreign domination of any kind now gives this opposition popular backing.

In agitation among foreigners to prevent, by international pressure at Peking, any further interference with present administration of the foreign customs, the chief arguments are based upon a possible depreciation of China's security to foreign investors; but this is not the most important phase of the matter. Its real significance lies in the possibility that, should China regain control of her customs administration, a condition may be created where discrimination in favor of some foreign trading nations, and against others, may creep in; which thus seriously may touch American, as well as other interests.

In respect to China's motives in reaching for control of her maritime customs, several influences are at work. One is desire for increased revenue. It long has been evident to Chinese officials that a level duty of five per cent is not all the trade can bear without lessening imports, and they have been anxious to increase it. Foreign powers have observed this disposition, and some of them are inclined to accede to it under certain conditions, pro-

vided China will make concessions in other directions calculated to aid the development of foreign trade within the Empire. Three treaties along this line have been negotiated: those with England, America and Japan which were signed in 1902 and 1903. The British and Japanese treaties provide for an increase of the duty from five to twelve and one-half per cent, China agreeing to abolish *likin* on British and Japanese products as an offset for this concession. The treaty with the United States provides for the same increase, but contains no provision for abolition of *likin*. The *likin* is a great handicap upon internal commerce; but as it provides a goodly share of local and municipal revenue, the official class is opposed to its abolition. Although they have been nominally in effect for some years now, these treaties are as yet absolutely a dead letter, and there is no prospect of their being observed soon. The reason lies in the fact that in order to affect any alteration in the conventional tariff system it is necessary to obtain the consent of all foreign nations which were parties to the original agreement. Not more than half a dozen nations have a trade in China worth considering; yet a nation like Norway or Denmark can, by failing or refusing to consent, block attempts at tariff revision. It is impossible that such an anomalous situation will be indefinitely continued, and an international conference to consider the subject should be called. Until something is done to secure united international action the deadlock will continue. When the Chinese commissioners who virtually supersede Sir Robert Hart were appointed, it was believed by some in Peking that Japan was backing China in this attempt to assert her autonomy, in order to open the way for a reciprocity treaty favorable to Japan, but at the crucial moment Japanese support failed to

materialize, and China thought it prudent to modify her position. Well-informed persons in China feel that the matter has not been abandoned, and that it contains the genesis of a plan to bring the foreign customs entirely into Chinese official control. This is a perfectly legitimate ambition for China; but as the tariff may play an important part in competition by the powers for trade in the Empire, the matter contains serious possibilities.

The foreign nations which have a political foothold in the Far East, and are striving for commercial advantage there, with reasonable prospect of substantial success, are Great Britain, Japan, Germany, France, Russia and the United States. Other nations (eighteen have commercial treaties with China), while they have some trade, really are negligible quantities in so far as being able to exert real influence, although some of them may be used as a cloak for more powerful interests. Commercially, America's formidable competitors in China are England, Japan and Germany, and it may serve the purpose of this examination to confine comparisons to them. Notwithstanding present national indifference to wider prospects, and comparative lack of consistent effort to promote eastern trade, America's natural advantages in commerce with the Far East have given her a strong foothold, which at present, all things considered, compares favorably with her chief rivals. The fiscal year of 1905 gave a remarkable impetus to American trade, especially when it is remembered that this was the year of the "boycott." Owing to anomalies created by the establishment of several foreign ports virtually within the limits of China, such as Hongkong, Dalny and Tsingtau, it is difficult to obtain accurate statistics about the foreign trade of China. The aggregates are easy to discover, but the proportionate business done by various nations is hard to get at. Within

the last few years the Chinese import customs has begun to compile statistics bearing on these points, and several important matters still are somewhat obscure. Basing them upon figures obtained from the statistical department of the customs, and information secured from other equally reliable sources, I think the following comparisons are substantially accurate.

American exports to China reached the highest point in 1905, when there was an abnormal increase in the importation of American cotton goods. In that year America's export trade almost equalled that of Great Britain, but this position was not maintained, for the next year showed a slump which equalized the extraordinary gain of 1905. In the years 1905-6 four nations—Great Britain, Japan, Germany and the United States—supplied 86 per cent of all foreign products which entered China through the maritime customs. Taking an average of these years, the comparative trade of these nations in China was as follows: Great Britain, 37 per cent; United States, 28 per cent; Japan, 27 per cent; Germany, 8 per cent. In the years 1902-6, inclusive, the average annual export trade to China of the leading nations follows: Great Britain, \$75,000,000.00; Japan, \$58,000,000.00; United States, \$52,000,000.00. These figures are in round numbers, and pretend to be approximate only. Prior to 1905 the direct imports from Germany were not computed separately. These figures are obtained by approximately estimating the proportion of exports of these nations which reach China indirectly through Hongkong and other ports, and are not presumed to be exact. The trade credited to Great Britain does not include imports from India.

Lest this somewhat flattering showing should create a wrong impression of security in America, it is well to

consider some phases of the competitive situation, which no statistics reveal. A few main propositions stand out distinctly. England retains the first position, which she has held ever since China has had a foreign trade worth mentioning, and her trade is increasing; but in comparison with some of her competitors she is losing ground by not progressing so rapidly. Both America and Japan are gaining upon her. The last few years America has gained upon England, and practically overtaken Japan; but Japan was for a time engaged in a war, and part of America's increase was due to extraordinary conditions created by that war and may not be a permanent gain. It is, however, conclusively demonstrated that there is a large market for American products in China, and it is to the future, rather than the present, that we should look. The possibilities of foreign trade in China have not yet been fathomed, and within the next quarter of a century its development will be enormous. America wants her fair share of this trade, the share to which she legitimately is entitled, and which she will get if her products continue to enter the market under the same conditions that apply to those of other nations.

So far, American trade in China has secured and retained a foothold without the assistance of special stimulation, either private or governmental. That it has reached its present magnitude is evidence of its inherent strength, and gives an idea of the dimensions it may attain with proper encouragement. Let us glance at the efforts some of our competitors are making. Take Germany. Germany's trade in China at present is almost insignificant, as I have shown, notwithstanding obvious indications of her commercial activity to be seen on every side. But she will have trade in the great future that is coming if she keeps on as she is doing. German subsidized steam-

ship lines ply Far Eastern waters, and the German flag waves in every port. The German commercial bureau in the Far East is an interesting device to promote German trade. This bureau is attached to the German consulate at Shanghai, and has, I am informed, eight German and about twenty Chinese employes. Several of these employes are experts on commercial matters, sent out from Germany. They travel in all parts of the Empire, observing and inquiring into conditions. Their reports are made to the Shanghai bureau, where they are classified and compiled, for the information of the Government at Berlin and trade bodies in Germany. The sole business of this organization is to gather information about commercial conditions in China. It is associated with the consular service, but is entirely in addition to it, and has nothing to do with routine consular work. At present all this involves large expense for comparatively small results. Germany is looking to the future for returns.

The logic of the situation points, however, to Japan as perhaps the most formidable rival American commerce will in the future have to meet in Asia. Japan's situation differs from her competitors, in that to secure a market for her products on the continent and to be able to draw from Asia raw products to enable her to become an industrial nation are vital factors in her national policy. Should she fail in this the national trade policy will fail. Germany, England and America could be totally deprived of a market in Asia without seriously impairing their national status: that is, they could still be powerful and prosperous. But without Asiatic trade Japan eventually will become a second-class nation, and her present dream of an Oriental comity under her leadership will fade. This means that Japan will make extraordinary exertions to push her interests in

China. And she is going about it with an energy that promises a fair measure of success. The Japanese Government is backing its subjects in commercial enterprises in China, and encouraging the promotion of Japanese trade through its subsidized steamship companies. Thousands of Japanese are emigrating to China. Shanghai and other treaty ports, where they were comparatively few before the war with Russia, now have large Japanese communities, and they are penetrating to all parts of the country, even into small towns and villages. In so doing they seem to pay no attention to treaty stipulations which forbid foreigners to engage in business outside treaty ports, but establish themselves wherever they like. Recently a representative of an American corporation which does a large business in China attempted to put out advertising matter in an interior city, but the Taotai sent to order him to stop, which he did. Upon going about the city, he discovered eight Japanese shops open for business, and a Japanese post office. He promptly called the Taotai's attention to these circumstances, and insisted upon going on with his own work, which the Taotai, after some demur, permitted. The Taotai professed ignorance that Japanese were in the city; which was, of course, an evasion. It seems that Japanese are able to arrange these matters with local officials, who agree to shoo other foreigners away. Japan also exercises diplomatic pressure at Peking to secure such exclusive privileges. Japanese mining experts and commercial agents are to be seen throughout China, whose methods are similar to those of the Germans: except that some immediate move usually follows in their wake, such as establishment of shops and Japanese settlements. Even when their presence is discovered by foreigners and complaints made that other nationals are denied similar privileges,

it is seldom that anything is done about it except in flagrant cases, so fearful is Peking of irritating Japan.

In connection with the position of American trade in China in comparison with competing nations, a condition exists which may in the future, conceivably, lead to complications by opening avenues for invidious discrimination. In fact, discrimination already exists, but not yet in sufficient magnitude to become an issue. Inspection of a map of the Chinese Empire shows that all of the six great powers directly and potentially interested in the future of China, except America, have territory lying contiguous to her domain. Russia has the vast stretch of her Siberian frontier, with part of Mongolia and Manchuria also under her control. Japan possesses Korea, just across the Yalu river from China, and holds southern Manchuria as well. France has her Indo-Chinese frontier in the south. England has the frontiers of Burma and Tibet and Wei-hei-wei. Germany has the leased territory at Kiao-chau Bay, where she has built the fine city of Tsing-tau as a terminus for the German railway into the interior. The Chinese import customs tariff is collected only on sea-borne articles, and products coming across the land borders usually pay a lower rate, sometimes no duty at all. This seems so astonishing that I hesitated to believe it; but was convinced by the phrasing of a regulation defining the duties of custom officials, which says: "The revised tariff is a maritime tariff and not to be enforced on the land frontier." There were until very recently no custom houses on the Siberian border. There are some on the Burma and Indo-China frontiers, where a reduced tariff is paid on imports, but the process is susceptible of easy evasion.

How this condition may in the future affect American trade is obvious. In a short time all of America's com-

STREET IN TSING-TAU, THE CITY WHICH THE GERMAN GOVERNMENT
HAS BUILT AT KIAO-CHAU BAY.



mercial rivals in China will control railways entering the Empire across a land frontier, connecting with sea ports outside its borders. Thus, goods landed in Burma will have an inlet into China across the frontier of Yunnan, and on into Sczechuen, the most fertile and densely populated province in the Empire. France has an inlet through Kwangsi, where her railways eventually will be connected with the system which will cover south and central China. The Russian trans-Caspian road eventually will connect with the Belgian road in Shansi, and thus establish connections with the whole of the Empire. Japan has entry through Korea and Dalny; Germany through Tsingtau. American goods must come in through maritime ports over which the United States has not the slightest control. Trade with Russia across the Mongolian border, which always has been considerable, is not hampered by tariff restrictions, except *likin*. It is known that merchandise enters through the French and British frontiers duty free, and no attempt is made to collect a rate on these frontiers equal to that imposed at maritime ports. All great powers, except America, thus have at least partial control of inlets by which products may enter, and development of a complete railway system in China, a certainty of the near future, with possible influence over railway tariffs in the hands of competitors who have land frontier inlets, presages a condition of disadvantage to American trade unless steps are taken to clear the situation. There is plenty of work for American diplomacy in China.

Factors in the struggle for trade in China, besides those already considered, are the foreign banks established there, most of which are directly associated with foreign governments, and are convenient agencies to promote national interests. There are several British banks, among which the Hongkong and Shanghai Bank leads,

with twenty-five branches in the Far East. The Russo-Chinese bank has over forty branches in Asia and the Far East. The Yokohama Specie Bank has more than twenty branches in Asia. The Bank of Indo-China, with a score or so of branches, looks after French financial interests, and the German-Asiatic Bank does the same for Germany. The International Bank is supposed to be an American corporation, but its position is inferior to the other institutions mentioned, and it is in no sense directly associated with promotion of the national interests.

Of perhaps greater importance to the development of American trade in China than the methods of competitors is the maintenance of equitable relations between the two countries. A bond of commercial sympathy already is established. Both countries are good customers of each other. Of what China now sells abroad, America consumes more than any other nation. Chinese officials are beginning to realize that China's exports must be increased or the drain of the balance of trade against her, now considerable, may be felt in her forthcoming industrial reorganization, and they are surveying the world for prospective markets. I find that generally they regard the United States as the more promising of these. Here lies America's opportunity. If Chinese trade with America can be brought to move naturally, as all trade will if permitted, along the line of least resistance, which means in the direction of greater demand, the way to reciprocal development becomes easy. Obstacles to the promotion of a policy of commercial reciprocity between China and the United States are comparatively insignificant.

The demand for foreign goods in China is growing every day. One cannot turn any way without observing evidences of the inclination of Chinese to consume foreign products. This is particularly noticeable in regard to

food products. A few years ago wheat flour was almost unknown to the Chinese, and was an article of luxury. This latter condition is still true, but to a less extent than formerly, while to-day almost every Chinese will use flour if he can afford it. Street comestible vendors now offer various kinds of edibles made of wheat flour where a few years ago nothing of the kind was to be seen. Flour mills are being built in all parts of China, and the people are encouraged to cultivate wheat. Until recently the average Chinese thought that to put anything cold into the stomach was injurious. Now they freely consume ice cream and cold beverages. Among the wealthier class this disposition is more apparent, but even coolies purchase such luxuries whenever they can spare a little cash. Chinese show a growing inclination to eat in the foreign hotels and restaurants. In time China will be a market for many kinds of foreign products, especially those which can be brought within the purchasing ability of the masses. But before that day arrives, China herself will have entered into production of many of these products; in fact, this movement already is well under way.

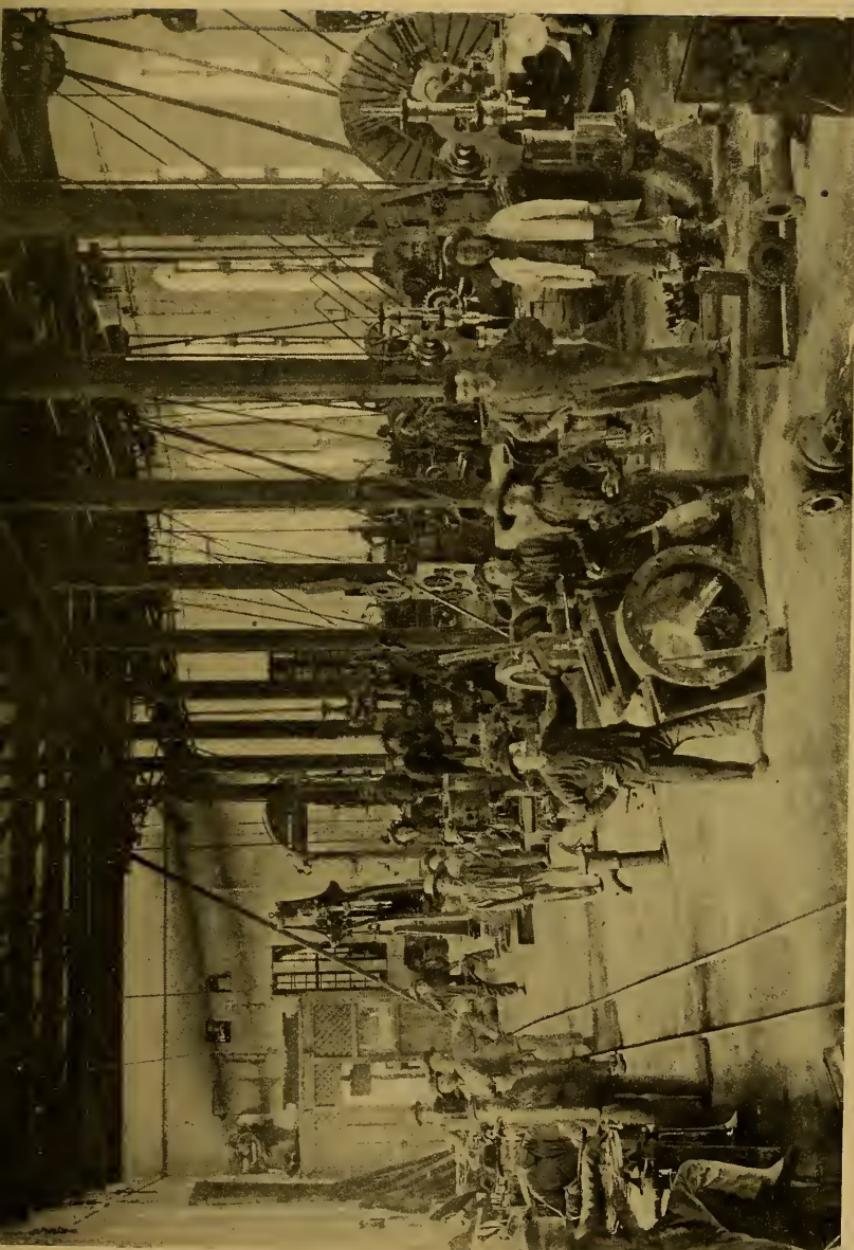
Although China at present is belligerently impotent, she possesses power of retaliation against foreign commerce in China, and has a weapon which can be directed against any article of foreign production. This weapon lies in the guild system of the Empire. It was the guild system that made the boycotts against America and Japan possible. Both these boycotts originated in political, not commercial conditions, and were really detrimental to commercial interests in China, yet so great is the cohesion of the guild system that their support was drawn to movements fundamentally unpopular and unprofitable. There is not a phase of commercial life in China that is not controlled by the guilds. Each great branch has its own or-

ganization, such as the Silk, Tea, Piece Goods, Tobacco, Flour, Oil, etc. Then there are the trades unions, an off-shoot of the greater guilds. Trades unions chiefly are composed of small retail dealers, and various artisan groups. The guilds have laws of their own, and Chinese courts frequently accept guild regulations as authoritative. The jurisdiction of the guilds is very comprehensive, and practically extends to all commercial activities. Their fiat in business disputes or evasions is law from which there is no appeal in China. Even the Government is helpless to interfere in matters directed by the guilds. In his work on Chinese commercial law and methods, Mr. T. R. Jurnigan, formerly United States Consul-General at Shanghai, thus writes of the influence of the guilds upon foreign trade:

"It is not too positive to write, that it is within the power of the guilds to interfere with commercial intercourse in China, to impair seriously the commercial relations of western nations with China, and comparatively to drive from the trade marts of the Empire the foreign products now sold in those marts, or to make the demand for them so unremunerative as to partially destroy importation, while the central government, if it had the inclination or the means, would scarcely have the courage to remove the organized obstruction or to punish the obstructors."

It is not possible to doubt that whatever happens to the nation politically there is a great commercial future ahead of China, and this is not a time for Americans to be indifferent to it. The situation never before has been more critical, nor contained more powerful elements of unrest. Many serious problems confront the United

CHINESE MECHANICS AT WORK.



States concerning the development of its trade in the East, and a definite policy designed to advance and safeguard it cannot too quickly be entered upon.

CHAPTER XXVI

CHINA AND THE UNITED STATES

A STORM CENTER—AMERICA'S RELATION TO THE FUTURE OF CHINA—SOME ASPECTS OF THIS QUESTION—MAJOR AND MINOR PREMISES—THE PACIFIC OCEAN POWERS—THEIR COMPARATIVE RANK ESTIMATED—FACTORS INVOLVED—MATERIAL INTERESTS OF THE NATIONS—THE ELEMENT OF TERRITORY—RIPARIAN RIGHTS—COMMERCE—THE POSITION OF AMERICA—THE DISTURBING ELEMENT—AMERICA'S EFFORTS IN CHINA'S BEHALF—ATTITUDE OF THE POWERS—"WHAT WILL AMERICA DO?"—SHOULD THE UNITED STATES "INTERFERE"?—VARIOUS KINDS OF INTERFERENCE—PHASES OF "AGGRESSIVENESS"—CHINA'S NEED FOR ADVICE AND AID—AMERICA CANNOT BE INDIFFERENT—NEED FOR AN ACTIVE ASIATIC POLICY.

IT is probable that historians of the rise of the United States as a world power will mark two major crises of American diplomacy. The first is that which determined its attitude toward the development of the western hemisphere. The second well may be the formulation of a policy that definitely will delimit the fundamental relation of the United States to the Far Eastern Question.

The Washington Government must decide whether in the crisis which is approaching it will actively move to compel a satisfactory solution, or will permit American interests to continue to drift on the current of events; whether it will formulate its own policy or have one thrust upon it; whether it will lead or follow. For that the United States *must* have a Pacific Ocean policy cannot

be doubted. American statesmen and people may shrink from participation in the Eastern Question, but it inevitably will intrude upon them; and it is bound up in the fate of China. This great Empire will be the storm center of the forthcoming diplomatic struggle and the scene of any international conflicts which failure of peaceful adjustment will provoke. As the Monroe doctrine invokes the United States to interfere should stronger nations aggress upon Central and South American states, so may a strong Pacific policy invoke its aid to preserve China. That the proposition contains this possibility may be granted.

Whether the United States shall adopt a strong eastern policy involves numerous considerations, and the factors which apply to the proposition may be discriminated by their moral and material aspects. The major premise of the moral obligation of western nations in the case of China is whether the institutions and ethical standards of East or West shall shape the course of civilization there. Its minor premise is whether China and the Chinese shall be exploited for the chief advantage of foreign nations. The two premises are interlocked and interdependable, for sinister phases of the second may be advanced under cover of the first; indeed, such policies usually assume this mask.

However prominently moral aspects of this question may be kept to the fore in academic discussion, the origin of influences which will give them practical effect must be sought in its material phases. To these the ethical arguments probably will be bent; in these the harmonies and conflicts of international interests will be found. Internationally regarded, material interests of the various nations in the Pacific Ocean comprise the major elements of territory, riparian rights and commerce; and in possible

and probable combinations of these elements the actual and prospective situations of nations may be determined.

Of the greater nations only five now possess considerable territory and riparian rights in the Pacific Ocean. These are China, Japan, Russia, Great Britain and the United States. Estimated by extent of inhabited and developed territory in this region, China ranks first, America second, Japan third, Great Britain (including Australasia and Canada) fourth, Russia fifth. Estimated by riparian rights in the Pacific, America ranks first, Japan (including Korea) second, China third, Great Britain fourth, Russia fifth. France, Germany and Holland also possess some territory in the East, but it is inconsiderable by comparison with similar interests of the five powers mentioned. Germany's possessions are confined to a few insignificant islands, as her leasehold on Kaio-chau eventually will expire. France has a foothold in Annam, and Holland possesses Java, Sumatra, part of Borneo and the Celebes.

As to trade, a calculation based on the foreign commerce of China (which may serve as the most pertinent example at hand) during the years 1902-1907 shows that Great Britain ranks first; America second, Japan third, Germany fourth, Russia fifth.

When the major factors are computed it is apparent that of the five nations which may be regarded as having a first-class position in the Pacific the United States now is entitled to first rank, with China second and Japan third. It is probable that estimation of potential commercial progress in this part of the world, based upon natural development and a continuation of the present balance of power, will in time augment the prominence of America. Assuming this, it will be to the advantage of the United States to preserve the existing *status quo*.

No natural or social forces now threaten to disturb the

existing balance of power in the Pacific, except as political pressure, supported by military and naval strength, may be exerted to shift it. It is the direct and sometime surreptitious application of this pressure, and the presence in this international comity of a weak sister, that gives cause for apprehension. Were China's political and military strength on a parity with the other four great Pacific nations her situation would present no problem to-day; there would be no Far Eastern Question, or at least not one which may affect the political equilibrium of the world. So we find in the fate of China the beginning and end of this problem as it shapes itself to-day.

It is only within the last decade, or since Japan's easy victory over her revealed the military weakness of China, that the Far Eastern Question became acutely interesting to America. From the time when John Hay became Secretary of State our nation has played an important though unobtrusive part in eastern affairs. The Washington Government early adopted the view that preservation of China's territorial integrity and political autonomy harmonizes with broader interests of the United States, and it consistently has exerted its influence in supporting its thesis. Several times America has initiated international action in China's favor; indeed, it truthfully may be said that every important proposal that was at once practical and sincere which during the last decade the powers have been induced to accede to was promoted by the United States. The more important of these moves follow:

1. The Hay Agreement, acceded to by the powers in 1899, by which the principle of China's political integrity and the "open door" was formulated into an international covenant.

2. The refusal of the United States to assent to the imposition, in 1901, of an oppressive indemnity upon China, which would have made her the fiscal vassal of foreign powers for an indefinite period.

3. The action of the United States, in 1904, in inducing the belligerent powers, Russia and Japan, to confine hostilities to a clearly defined region, with a view to limit the devastating results of war upon the Chinese, and to prevent the further embroilment of China.

4. The action of President Roosevelt in using his influence to terminate the war between Japan and Russia, and to secure the definite assent of those nations, in their treaty of peace, to the restoration of Manchuria to China and to the principle of the "open door."

It is not going too far to say that it is chiefly due to the Hay Agreement and the attitude of the United States that no nation in any treaty it has since made regarding eastern affairs has, whatever its designs may be, felt able to omit a reaffirmation of its principle, and so it has come about that every important power which is interested in the eastern situation is on record in one or several conventions as favoring the maintenance of China's integrity and the preservation of the "open door." Recent events indicate that America has no intention of abandoning her attitude. William Howard Taft reaffirmed it at Shanghai in 1907, coupled with a sympathetic reference to China's new national spirit. In Manchuria the United States consular representatives have declined to recognize Japanese and Russian administrative authority which overlaps China's sovereignty; and by an exchange of notes, in November, 1908, reaffirmation of the principle of the Hay doctrine was made by Japan and America.

It may be argued that if all interested nations are agreed in the premises of the Eastern Question, and have expressed their policies in formal notes and specific conventions with each other and China, a satisfactory course is assured. Unfortunately, however, the practical application of certain policies in Asia is now, as ever, running directly contrary to fundamental principles of the Hay Agreement. Instead of being relieved of apprehension of external aggression, and feeling free peacefully to accomplish reform of her internal administration, China today is once more confronted with a situation which threatens her national existence; and the "open door" principle is being evaded and undermined. It is only a question of time until something must be done to prevent forces of disintegration from getting the upper hand.

Under the circumstances, the question agitating diplomatic circles in the East is not "What will China do?", for everyone knows that China now can do little to secure herself, but "What will America do?" As the Monroe doctrine had no international virility until the world was convinced that the United States will back it with action, so will the Hay doctrine have none until the world is assured that America will enforce her policy in the East at least as actively as other nations now enforce theirs. In short, is the Hay doctrine merely an empty phrase, a convenient cloak for antagonistic ambitions and designs, or does it represent an American political idea which will upon occasion assume practical form? The Washington Government may before very long have to answer this question.

There are indications, almost unmistakably intimated by its diplomatic attitude, that the Washington Government at present has no answer to this question ready. Opposed to the Hay doctrine is a theory that the United

States should sentimentally use its influence to preserve China, but should not take positive action if other nations pursue an opposite course; or should merely observe events without taking part. This theory is embodied in phrases frequently repeated, that the United States should not be "aggressive" in China, and that it should not "interfere" in eastern affairs.

I think I have demonstrated that based upon her moral and material relation to the Eastern Question, America has fully as much right to pursue an aggressive policy in Asia as has any other power, especially when any past interference by her always has been advantageous to China as distinguished from interference designed to wreck the Empire, and usually has been welcomed by China. It is evident that "interference" can assume many shapes. The seizure of Kiao-chau bay by Germany, the occupation of Manchuria and Mongolia by Russia and Japan represent one kind of interference. Diplomatic pressure, backed by military force, to prevent China from developing her own territory, of which the Fakumen railway incident is an example, is a form of interference. The Hay Agreement, the so-called neutral border agreement, and President Roosevelt's intervention at Portsmouth also were interferences with China's affairs. Whether a foreign nation is justified in interfering in China entirely depends upon what form such interference takes, what are the reasons and objects of it, and the conditions under which it is urged or accorded. For instance, interference at the solicitation of China is different from interference against her protest; interference for her benefit is different from interference to injure her; interference in the interest of peace and civilization is different from interference calculated to cause war. So whether the United States should "interfere" in China altogether depends upon cir-

cumstances. In any event, it is certain that other nations now are actively interfering there, and probably will further encroach unless checked by external influence.

As to "aggressiveness" in the East, here again it depends upon how the term is translated into action. The United States certainly should not be aggressive anywhere in international affairs in the sense of interfering where it is not concerned, or upon inadequate grounds. In no part of the world is there such opportunity for felicitous aggressiveness on the part of America as is presented in the case of China, or where it will be better received, for China is now inclined to believe and easily may be convinced that America has no ambitions in Asia inconsistent with China's sovereignty or development of the Empire into a strong and virile nation. Desiring such a consummation both on China's account and her own, having the assurance of all interested nations that they are similarly inclined, what legitimate objection can be made to an American policy calculated to accomplish this end, or to the active promotion of such a policy?

The measure of practical scope of foreign policies in China must be sought in the condition of China herself, and this is profoundly interesting. Surrounded by enemies wearing the mask of friendship, and unable to turn without feeling the pressure of some hostile policy directed at her vitals, it might be expected that China's political deficiencies would be thrown into strong relief. Never before has the paradoxical combination of arrogance, timidity, self-satisfaction, astuteness, ignorance and practical incompetence which constitutes her administrative system, as it appears to some western eyes, stood out more plainly than now when she has such desperate need for different qualities. Internally China is backward, but her case is by no means hopeless. There does not exist a political

or social evil in China that cannot be corrected. It is, moreover, certain that Chinese statesmen at last realize that a practical scheme for reform *must* be pursued. In this endeavor they not only need time, but also the advice and assistance of friendly western nations.

The fact that many Chinese do not want this assistance and regard such proffers with keen suspicion and distrust should not deter nations animated by a candid spirit from urging it, even pressing it upon her. It should be remembered that China has in the past sometimes acted upon foreign advice and suggestion only later to awake to the fact that she had been circumvented. Similar advice was given to Japan when she needed it. Perry "interfered" at Mississippi Bay, and a monument erected by Japanese now commemorates his interference. In diplomatic affairs Japan has not yet entirely dispensed with western advice; at Portsmouth the Japanese commissioners had Mr. Dennison at their elbows. China sorely needs advisers like this, and she should be urged to employ them by some power whose motives she will not distrust.

Hardly a month passes that the Chinese Government does not commit some error which might have been avoided by employment of competent and sincere foreign advisers. Had Chinese commissioners such men to advise them so many of China's important treaties would not now be susceptible of constructions favorable to other nations, or could not so easily be distorted to serve sinister purposes. China is trying to play the modern diplomatic game without fully understanding its elements and rules, and so long as she persists in doing so she continually will be falling into difficulties out of which she must be helped by friendly nations. In her disputes with other nations China frequently has the better position morally, but she

sometimes handles her case so ineptly that she manages to get technically in the wrong before it goes very far, which gives powers that are so inclined opportunity to impose upon and humiliate her. An irritating and sometimes disheartening feature of Chinese diplomacy is that when China gets into difficulty partly through her own ignorance, she sometimes will try to wriggle out by evading her obligations, thus putting herself in the wrong. In this respect, China's position in the international comity may be compared to that of an incompetent lawyer whose mistakes embarrass the court and other attorneys as well as himself.

In aiding China to acquire modern efficiency disinterestedness, patience and firmness must be exercised. Real disinterestedness might mean indifference; but sufficient interest in China's stability and prosperity to induce activity in impelling her in the right direction, without being wholly selfish, is the measure needed. It may be expected that China will in the years to come often try the patience even of disinterested friends almost to the limit of endurance, by procrastinating methods which seem to be inseparable from her administrative processes, but the attempt to help her should not be abandoned on this account. It may be said of China's slowness to adopt western political forms that while it is irritating it is not actively injurious to other national interests. China may be slow to adopt, but she does not exert herself to warp or destroy. And there is no doubt that a genuine community of interests exists in the case of China and the United States.

The political and commercial forces now operating in the East are steadily inclining China toward closer contact with America, and it requires only circumspect diplomatic activity for the United States to become the most influential foreign power in the Empire. I am convinced that

the American legation at Peking is the most important diplomatic post which our Government supports to-day, and it should be raised to an embassy. It is one of the few places where there still is opportunity for *constructive* diplomacy. It is difficult to conceive how the United States Government and the American people can be indifferent to the situation of this nation of 430,000,000 souls, or unaffected by its fate. No tremors need be felt about results of a more aggressive American policy in the East. The situation is such that the United States can assume leadership in the Pacific, if an energetic policy is adopted, for nations which are believed to desire the disintegration of China are now crippled in their resources and involved in serious internal complications. Conditions now are more favorable to peaceful adjustment than they ever may be again, and it is probable that unless America does again interfere in eastern affairs another great war will occur in a few years. The course of events intimates that if the "open door" is to be preserved, it can be accomplished only by direct intervention of the United States. This is not a time for indifference or hesitation, but the hour when a friendly hand properly may be extended to China for support and guidance along a difficult path.

CHINESE ENGINEER AT WORK.



CHAPTER XXVII

CHINA AND THE UNITED STATES — *Concluded*

DIPLOMATIC WEATHER-VANES — THE ROOT-TAKAHIRA NOTE — THIS "AGREEMENT" ANALYZED — ITS ANTECEDENTS AND CONDITIONS PRECEDENT — ITS RELATION TO CHINA — DISQUIETING FEATURES — JAPAN'S APPARENT OBJECTS — THE AMERICAN VIEWPOINT — ESSENCE OF THIS INCIDENT — EFFORTS TO PREVENT A CHINESE-AMERICAN UNDERSTANDING — GENESIS OF THESE EFFORTS — INTERNATIONAL JEALOUSIES INVOKED — A SIGNIFICANT INCIDENT — VISIT OF THE AMERICAN FLEET TO CHINA — OPPOSING INTRIGUES — PART PLAYED BY THE AMERICAN MINISTER TO CHINA — DIPLOMATIC INEPTITUDE — THE FLEET AT AMOY — EFFECTS OF THIS INCIDENT.

IN moves and countermoves which attend progress of the great game of international politics, and the constantly shifting processes which mark the formulation and reformulation of policies in the effort to adapt them to conditions in evolution, there appear from time to time diplomatic maneuvers that are important and interesting more by reason of what they indirectly intimate than what they actually express. To this class of diplomatic weather-vanes the exchange of notes between the Governments of Japan and the United States on November 30, 1908,¹ belongs. While this *communiqué* ostensibly touches relations of the United States and Japan, it really, when examined, is found to bear almost entirely on relations of these governments to China, which induces consideration of it in this connection.

¹ Appendix M.

This "agreement" is indeed very significant; not especially in what it says, but in what it may mean, and it excited great interest throughout the world. That was shown by a chorus of comment in other countries, and by the efforts of commentators to extract some definite conclusions from its terms. Americans like to think, and probably most of us believe that diplomatic methods of our Government have gotten away from the idea of which the old diplomatic canon that treaties and agreements between nations should be drafted to conceal their meaning was the expression. But, taking it on its face, this memorandum is a fair example of the good old formula. It obviously does not require treatment such as was commanded by Napoleon, who when informed by his ministers that a proposed treaty contained nothing ambiguous, is alleged to have said: "Then put something in at once." What any such instrument implies always must be deduced from circumstances, and in this instance just appreciation may only be derived from the conditions which gave birth to the modern relations between Japan and America, the sequence of events by which they have developed, and the situation of China.

The terms of the "agreement" which is embodied in the exchange of notes between Mr. Root and Baron Takahira follow:

1. It is the wish of the two Governments to encourage the free and peaceful development of their commerce on the Pacific Ocean.
2. The policy of both Governments, uninfluenced by any aggressive tendencies, is directed to the maintenance of the existing *status quo* in the region above mentioned, and to the defense of the principle of equal opportunity for commerce and industry in China.

3. They are accordingly firmly resolved reciprocally to respect the territorial possessions belonging to each other in said region.

4. They are also determined to preserve the common interests of all powers in China by supporting by all pacific means at their disposal the independence and integrity of China and the principle of equal opportunity for commerce and industry of all nations in that Empire.

5. Should any event occur threatening the *status quo* as above described or the principle of equal opportunity as above defined, it remains for the two Governments to communicate with each other in order to arrive at an understanding as to what measures they may consider it useful to take.

The first article is a platitudinous generalization entirely devoid of specific meaning in this connection, since it merely expresses a sentiment common to all progressive nations.

The second article contains a hint of something definite. The two powers declare their policies to be maintenance of the "existing *status quo*" in the Pacific Ocean and the "principle of equal opportunity for commerce and industry in China." What *status quo* is meant? Does it include the present quasi-occupation and domination by Japan and Russia of Manchuria? It would seem so, on its face. It is rather difficult to believe that the governments mean by "existing *status quo*" merely territorial possessions of Japan and the United States, since there is in neither the conditions precedent nor in common presumption ground for any very definite suspicion that either nation has designs upon territory of the other. Mention in this clause of China seems, in conjunction with other circumstances, to limit its meaning to China's territory, and no

other intelligent construction can be placed upon it. Yet are we to believe that the United States has been induced to acquiesce in the present *status quo* in Manchuria, which is part of China? Is the principle of equal opportunity for commerce and industry which has since 1904 been applied in Manchuria and Korea to be taken as a model in interpreting the meaning of this clause? This question is certain to occur to American trading interests in China, and to the Peking Government. Such an inference may be deduced from its phraseology.

The third clause confirms the impression that territorial possessions of China alone were meant to be included in the scope of the second clause, for it specifically refers to the territorial possessions "in said region" (the Pacific) of America and Japan. If there is any material *quid pro quo* inherent to the United States in the agreement it is contained in this clause, since it is apparent that the Philippines were in mind when it was drafted. I suppose not even the wildest jingo in Japan or elsewhere has conceived the idea of American encroachment upon territorial possessions of Japan, and even if such a mad ambition possessed American statesmanship Japan would need no other security against it than that provided by her own resources. This is equally true of territorial possessions of the United States except, perhaps, those which lie in the Far East. This clause chiefly is interesting because of its tentative recognition of designs which Japan has, in the past, been suspected of having harbored.

The fourth clause is to a considerable extent a repetition of the second, with the significant addition that the governments announce their intention to support "by pacific means" the independence and integrity of China. Its meaning would be clearer if, in construing it in conjunction with the second clause, we were sure what *status quo*

is to be maintained. If the existing *status quo* in Manchuria is included, then the form of independence and integrity which is to be favored for China logically is that now obtaining in her northern provinces; a condition, it may incidentally be said, not at all like the independence and integrity which China wants to preserve, and which accords with western ideas of this state.

The fifth clause appears to be somewhat superfluous even in this vague memorandum, since thereby the governments merely agree to conduct their relations according to usage of civilized nations. However, as this is the only definite thing which they agree to do in the so-called "agreement," it probably is not amiss.

This brief analysis of the Root-Takahira *communiqué* rather conclusively demonstrates, I think, that whatever significance it may have as bearing upon that greatest of present-day international issues — the Far Eastern Question — cannot be found in the published text. It therefore follows that any importance which it has — and apparently it is agreed that it has importance — must be sought in the collateral circumstances and conditions whence it has sprung, and those which will, in turn, serve to illustrate any practical demonstration of its effectiveness in securing its ostensible objects.

The modern phase of Japanese-American relations, of which this exchange of views is the latest official expression, already has been reviewed. America's eastern policy has undergone no outward change either in principle or practice since formulation of the Hay Agreement, to which Japan assented. The basic principles of the Hay Agreement, I will repeat here, are assurance of the independence and integrity of China, and the "open door" for foreign commerce and industry there. Unless there has been an alteration of the attitude or practice of one or

both of the governments there would now be no reason for a re-statement of views. It is not, so far as I know, alleged in any quarter that the United States has shifted its position in regard to China since 1899. It seems to follow, then, that the policy of Japan has provided the causes which led to re-examination of the situation and, consequently, a mutual re-statement of positions.

There is no doubt that in course of the prolonged interchange of diplomatic views between the United States and Japan during 1906-8 it was intimated that the situation of American interests in Manchuria and Korea is not satisfactory, and the attitude of America toward eastern affairs manifestly stiffened. At Tokyo and Shanghai Mr. Taft, on his trip around the world, spoke plainly, if with proper suavity. Suddenly throughout the East came a feeling, which permeated all classes of natives and foreigners, that America intended to take a more decided stand. I was in the Far East during almost the whole of this period, was in Japan when the so-called Japan-American situation and the ministerial crisis of 1908 were at a focus, and I was able to observe the course of events there at close range. It was evident by the beginning of the summer of 1908 that the Tokyo Government felt it necessary at least outwardly to modify its continental policy, and the first essential condition was a *rapprochement* with the United States sufficiently spectacular to attract worldwide attention. In order to accomplish this without appearing to act under pressure some haste was required. China's intention officially to represent to America her version of the situation in Manchuria was taking practical shape, and His Excellency Tang Shao-yi presumably had been entrusted with this delicate mission. It was suspected in Tokyo, moreover, that China's plaint would not fall upon

deaf ears at Washington. Japan was not in a position to resist strong pressure applied to her Asiatic policy as demonstrated in Manchuria and Korea, so she prepared to side-step as gracefully as possible. Something must be done; and the Root-Takahira agreement appears to be the answer. It may be significant that it was announced from Tokyo simultaneously with the arrival of a special Chinese embassy, headed by Tang Shao-yi, at San Francisco; at any rate, the coincidence is interesting; as also is, in a similar degree, the fact that the American fleet sailed from Manila on its return voyage to the Atlantic on the day the agreement was published.

The chief results which Japan apparently has sought to bring about in reiterating her position may be summed as follows:

1. To restore her naval superiority in the Pacific by inducing the return of the American fleet to Atlantic waters.
2. To restore her credit abroad, which has been seriously undermined by the impression that her relations with the United States are strained.
3. To allay disturbing rumors which her quasi-rupture with America had put into circulation, which adversely affected her prestige, and which hampered her Asiatic policy by subjecting it to critical scrutiny.
4. To check China's effort to come to closer understanding with the United States, which must, if successful, tend to enhance China's importance in eastern affairs and by comparison, to deprecate Japan's influence.
5. By causing belligerent discussion in connection with Japan's continental policy to subside, to be able to increase her military and naval strength without attracting especial attention and comment.

The first of these objects has been accomplished. The second, third and fifth objects probably have been secured in some measure, but whether Japan will be able to reap practical advantage by thus repeating her renunciation of an aggressive policy in Asia will depend upon future events. If Japan continues to talk one way and act another, as she has done in the past regarding her policy in China and Korea, she will again cause a revulsion of sentiment in the West. It reasonably may be presumed, however, that she has insured herself a breathing spell, during which she will be credited with pacific intentions by popular opinion in western countries. That this new agreement will, when Japanese reflect upon it, give little satisfaction in Japan is certain, although the Government organs uphold it for the moment. In fact, the note does not refer to issues which have to be adjusted between the two nations, and this is likely from time to time to be made the subject of criticism by opposition in the Diet.

Japan's desire to interpose obstacles to a better and more sympathetic understanding between China and the United States, which I have included among her objects in this re-statement of her fealty to the "open door" and "integrity of China" doctrines, may or may not be successful; but already it is evident that she has scored a point. The ambiguity concerning the *status quo* which the powers pledge themselves to support is certain to excite apprehension at Peking owing to its similarity to clauses in agreements between Japan and other nations, and which China regards as purely perfunctory expressions. Indeed, unofficial expressions from Peking have intimated that the Root-Takahira agreement caused a feeling of uneasiness there, where inevitably it will raise a conjecture whether Japan has induced the United States to assent to continuation of her position in Manchuria. To the ex-

tent that this agreement, and comment upon it by the press of the world, may create this idea in China, just to that extent it will have served Japan's ends by injecting suspicion tinged, perhaps, with distrust on one side, into the relations of China and America. I do not entertain the theory that America has assented to the present *status quo* in Manchuria; and the Washington Government no doubt will convey proper assurances to China through diplomatic channels that it has no such intent.

It remains to inquire what were the objects of the Washington Government in making this move, and what benefits, if any, it has secured. It may be assumed by some that the chief object of the United States is to safeguard the Philippines, but reflection disposes of this theory. It is perfectly clear that if Japan and America ever fall out, whether about the fate of China or another issue, no treaty between them, much less a vague interchange of views, will prevent Japan from attacking American possessions wherever she can. Recognizing this, the objects of America must be sought elsewhere, and they may be enumerated as follows:

(a) Again pointedly to call to the attention of the world, and especially to the people of the United States, that the Government feels that America has a fundamental interest in the eastern situation, especially in the fate and welfare of China.

(b) To serve notice to the powers that the attitude of the United States concerning the Far East has undergone no alteration or modification since the promulgation of the Hay Agreement; in other words, that the United States does not recognize results of the Russo-Japanese war as affording reason to revise its attitude.

(c) To intimate again to the powers that the United

States intends to take an active part in influencing the solution of the Far Eastern Question, and that its views and wishes should be considered in any action which affects the fate of China, or the balance of power in the Pacific Ocean.

Here, then, we find the real meat in this so-called agreement with Japan, if it contains anything substantial. It is important not in what it says, or in that it happens to be communicated to Japan (although this is quite interesting), but because it is addressed to the world. Interest manifested by the powers is, therefore, amply justified; for regarded in this light this seemingly innocuous *communique* becomes a state paper of significance, which will, if lived up to, influence the fate of nations. I think that the Washington Government had in mind, in considering probable results of this diplomatic move, the necessity to create among Americans an intelligent public opinion about eastern affairs; to awaken them to clearer perception of our present position among nations, and to active consciousness of the situation of our nation in its relation to the world. If it contributes to such a result it is worth while. It may be that the constitutional function of the Senate to concur in ratification of treaties with foreign nations prevented the State Department from giving this instrument more specific form.

Thoughtful Americans should not, however, permit satisfaction at whatever pacific assurances attend this incident to obscure certain possibilities. It hardly is necessary to say that this agreement, in itself, does not "assure peace in the Pacific," as shallow criticism hastened to assert. It assures only that hereafter the United States will endeavor to exert greater influence in eastern affairs. If our activities in the East are supported by suffi-

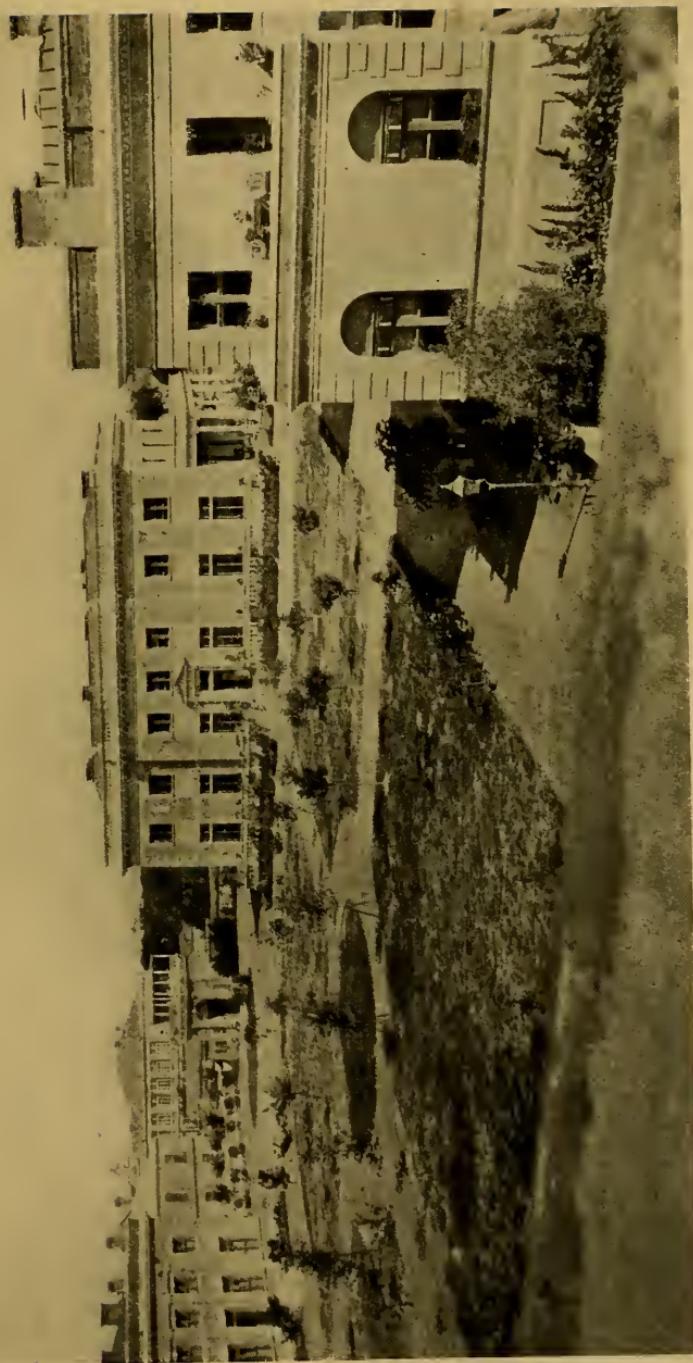
cient material force to give them practical effect if occasion requires, *and only under these conditions*, then can America's influence make for peace in that part of the world. Nothing written on a piece of paper will assure peace anywhere; only acts applied to specific conditions can accomplish this. Actual conditions in the East have not been altered by this exchange of notes. Disturbing factors continue to operate. It may be presumed that the Washington Government understands this; and notwithstanding this spectacular resumption of an *entente cordiale* with Japan, we doubtless will hear about frequent launching of new battleships in both countries, and fortification of America's outposts in the Pacific will not be abandoned.

The uneasiness of other foreign interests in China which is caused by China's present disposition to lean toward America, which certain manifestations of Japan's desire to have a dramatic *rapprochement* with the United States illustrate, already has found expression in various ways. An interesting example is the attempt, partly successful, to make the itinerary of the American battleship fleet in the Pacific take a color which was humiliating to China. When the fleet visited Amoy some phases of its reception by China were made the subject of unpleasant comment in the Japanese and western press, because of an alleged luke-warm attitude by Chinese. In order to comprehend the seemingly peculiar attitude of the Chinese people and the Peking Government toward the visit of our fleet it is necessary to review its antecedents. It should be understood that certain elements associated with China, but not of her in a national sense, were opposed to this friendly demonstration, and exerted themselves to prevent it; or, failing this, to reduce some possible effects of it to a minimum, and to give the incident on the whole a (to them) desired international color. These hostile elements may be di-

vided into two general classes: (a) The Japanese influence, and (b) European influence (including British).

Japanese influence in China is both actual, and tentative or potential. Japan's actual influence rests upon her occupation of southern Manchuria, her commercial and vested interests within the Empire, and her army and navy, which Orientals have been induced to regard as equal or superior to those of any western power. Her tentative or potential influence turns upon fundamental relations of the two nations, and will eventually be determined by their comparative destiny. It is obvious that should China, through regeneration, become the greater Oriental nation, Japan's prestige and influence in international affairs, and especially upon the continent of Asia, will diminish by comparison. It is a primary object of Japan's foreign policy to prevent such a consummation. The present critical relations of Japan and China also bear directly on this matter. There are a number of serious diplomatic issues between them, chiefly arising out of Japanese occupation of Manchuria. Japan now has a great advantage in conducting negotiations owing to her military and naval superiority. The belief, which is now general among Chinese, especially the middle and lower classes, that the Japanese navy is master of the Pacific, represents a distinct moral asset for Japan under existing circumstances, and it is a factor which Japanese statesmen do not wish to have disturbed. The effect that a visit to China of a foreign fleet which apparently is superior to the navy of Japan may have upon Japanese influence in China is apparent.

The motives which impelled other foreign influences in China to oppose a visit by the American fleet are complex, through having sprung from partly diverse points of view, but they have a common theorem which provides a certain



AMERICAN LEGATION BUILDINGS, PEKING.

unity. The situation of foreigners and foreign interests in China to some extent now rests upon the power and disposition of foreign nations to apply pressure upon China amounting, if need be, to actual coercion; which position is unofficially fortified by maintenance among foreign residents in China of an assumed superiority to Chinese in business and social relations with them, and officially by a condescending attitude in diplomatic affairs. This general condition has existed for so long that it has come to be accepted by many foreign residents, and by some governments, as being of the eternal fitness of things, and many inferences are deduced from it, among which is a professed belief that if it is ever modified or abridged the position of foreigners and foreign interests in China will become disadvantageous and insecure. Thus many foreigners in China, and no doubt some governments as well, regard with uneasiness the reform movement, and the ephemeral manifestations of anti-foreign spirit which attend it in its nascent stages.

The disposition of the United States to befriend in a practical way China's new aspirations, as voiced by Mr. Taft at Shanghai, in October, 1908, attracted the notice of other foreign interests in China.—Mr. Taft then said:

1907

"The United States and others who sincerely favor the open door policy will, if they are wise, not only welcome, but will encourage this great Chinese Empire to take long steps in administrative and governmental reform, in the development of her natural resources and the improvement of the welfare of her people. In this way she will add great strength to her position as a self respecting government, may resist all possible foreign aggression seeking undue, exclusive or proprietary privileges in her territory, and without foreign aid enforce an open

door policy of equal opportunity to all. I am not one of those who view with alarm the effect of the growth of China with her teeming millions into a great industrial empire. I believe that this instead of injuring foreign trade with China would greatly increase it, and while it might change its character in some respects, it would not diminish its profit. A trade which depends for its profit on the backwardness of a people in developing their own resources and upon their inability to value at the proper relative prices that which they have to sell and that which they have to buy is not one which can be counted upon as stable or permanent.

For the reasons I have given, it does not seem to me that the cry of 'China for the Chinese' should frighten anyone. All that is meant by that is that China should devote her energies to the development of her immense resources, to the elevation of her industrious people, to the enlargement of her trade and to the administrative reform of the Empire as a great national government. Changes of this kind would only increase our trade with her. Our greatest export trade is with the countries most advanced in business methods and in the development of their particular resources. In the Philippines we have learned that the policy which is best for the Filipinos is best in the long run for the countries who would do business with the Islands."

Within a month after Mr. Taft thus spoke in the presence of a gathering jointly composed of foreigners and Chinese his words, or some interpretation of their meaning, was transmitted, by newspapers and by methods used wherever publicity is limited, throughout China. And they were good hearing to Chinese of all classes. It was

the first distinct word of encouragement, coming from an elevated official source, which the West has vouchsafed to the new aspirations of China, and it brought an immediate sentimental response. But many foreigners in China regard it as heresy of the rankest sort. Its effect in favor of American interests in the East was noted, which had a tendency to excite jealousy in some quarters. Mr. Taft's speech was received, at first, with cautious approval or noncommittal reserve by the foreign press in the East; but after he had departed influential segments in the foreign community quietly began to depreciate it, as its possible effects were estimated from the angle which I have mentioned. It, however, had the immediate result, by appealing to their patriotic instinct, of causing Americans in China to get together to advance the national interests.

This was the situation when the American fleet started on its journey to the Pacific, and it became known that it probably would visit the Far East. American commercial interests in China perceived the opportunity which was thus presented, and a plan was broached to induce some prominent member of the Washington Government to come to China coincident with a visit of the fleet, and to make the joint event the occasion of a great friendly demonstration. Important Chinese officials were privately consulted, and expressed approval of the plan. While the project was in this nebulous state it came to the knowledge of the British consulate at Shanghai, and was by it communicated to the British legation at Peking. Here conjecture must be invoked to some extent, since positive information is lacking; but the matter became known at Tokyo immediately afterward, and an invitation for the fleet to visit Japan was given, thus forestalling similar action by China. Japan's invitation was an-

nounced one day before that of China, making it appear that China's action was suggested by that of Japan, and was a perfunctory reflex of it, whereas the opposite is more nearly true.

Some circumstances which attended the progress of this incident, from the time the invitations of the Japanese and Chinese Governments were published, are significant when reviewed in perspective. When the announcement was made W. W. Rockhill, the American minister to China, was sojourning in Japan, where he had stopped while traveling from Washington to Peking on his return from a vacation. Mr. Rockhill proceeded to Shanghai, where he arrived in April, 1908. In this connection it may be mentioned that Mr. Rockhill has long been associated with events in the East, and has formed a considerable acquaintance there. Among these is the Peking correspondent of a prominent British newspaper, the traditional relation of which to the British Government is well understood. It is believed by many persons in China that this journalist provides Mr. Rockhill with many of his political views about eastern affairs; indeed, the correspondent is frequently referred to, since Mr. Rockhill's incumbency, as the "real American minister." Prior to the arrival of Mr. Rockhill at Shanghai a movement to prevent, if possible, the visit of the American fleet to China, or at least to circumscribe and limit its effects, was afoot. The sentiment which provided the incentive of this movement did not, except guardedly, seek expression through publicity, although it controlled many channels; but sought to accomplish its ends by quieter and less direct methods.

Meanwhile, the plan to give extraordinary eclat to the proposed visit was taking shape. The Peking Government seemed especially to be favorable to the project.

Just before Mr. Rockhill arrived in China, and when it was believed that the United States would send the entire fleet, I discussed the matter with Yuan Shih K'ai, Tang Shao-yi and other prominent Chinese officials, all of whom expressed pleasure at the prospect of entertaining the fleet. Some of them suggested that while many foreign fleets have in the past visited China, this is the first time one was voluntarily invited, and they were disposed to hail the occasion as marking a new era in China's foreign relations. It was planned to invite the Admiral and his staff to Peking, where they would have been received by the Emperor. It then was assumed that Shanghai would be the port visited, as that city was the practically unanimous selection of the American element, and was acceptable to the Chinese. The advantages of Shanghai over other ports are great. It is the commercial and financial heart of the Empire, the focus of all lines of communication in the East, and is more generally accessible from all parts of the interior than any other city. It is true that large ships are compelled to anchor at Wusung, in the mouth of the Yangtze river, some twelve miles from the city of Shanghai; but Wusung may be reached by both railway and water, and is directly in the path of all river and marine traffic. Had the fleet gone to Shanghai it would have been seen by millions of people. Hundreds of ships, launches and small water craft were available for sightseers, and scores of them would have been chartered for this purpose. It was desired to make the reception to the fleet, apart from official functions, an international affair, in which all elements of the foreign community would participate. Residents of Shanghai, both foreign and Chinese, recognized the pecuniary advantage to the city of such a function, and there was a disposition to reap this benefit.

At this point, however, international politics was injected into the affair by the influences which were averse to having the fleet come to China. Incentive for this opposition undoubtedly sprung from foreign official sources, but private means to promote it were used. The arguments employed may be summed as follows: That the meaning of the visit would be misunderstood by the Chinese people and Government and might, by stimulating patriotic impulses which are beginning to stir among Chinese, tend to embroil the Government with other powers (Japan); that Chinese would interpret such a visit as recognizing the equality of the Empire with western powers, which would tend to undermine the position of foreigners in China. These were arguments openly advanced.

Arguments privately used to create among other foreign interests a solidarity antagonistic to the visit were: That such an affair would tend to exalt the United States in Chinese eyes to the comparative disadvantage of other foreign nations, and give extraordinary stimulus to American influence; that the design of the United States was to undermine peculiar advantages now enjoyed by other foreign interests, and to promote American interests at their expense; that a visit of an American fleet to a Chinese port constitutes tentative infringement on "spheres of influence" claimed by other foreign powers. This latter argument was particularly effective in respect to Shanghai, which is in the so-called British "sphere," and where British influence predominates. Japan had a special motive in trying to prevent or curtail a visit of the fleet to China, for if this could be accomplished the moral effect, in Oriental eyes, of its visit to Japan would be accentuated. All these arguments, in some measure, were quietly used; but it is doubtful if they could have succeeded in baulking

the plans of the American element and the Chinese had they not secured the support, upon his arrival, of the American minister.

There may be no direct connection between Mr. Rockhill's subsequent actions and certain conferences which he is reported to have held, soon after he reached Shanghai, with representatives of British interests; but these, coupled with the fact that he had just come from Tokyo, were regarded as being significant. This relation is partly conjecture; but some facts are well established. Mr. Rockhill quickly let it become known to official and unofficial American circles that he disapproved of any and all plans calculated to bring the American fleet to China, and particularly to Shanghai. People in the United States can hardly understand, unless they have resided in countries where extra-territoriality obtains, the weight that is attached to views of diplomatic representatives of a nation in matters like this. As soon as Mr. Rockhill's attitude became known, as it quickly was, it put effectual quietus upon the movement to bring the fleet to Shanghai. The American Association of China, which naturally would have taken the lead, associated with the American Consul-General, in promoting the affair, became divided in opinion and lost enthusiasm. Other elements — Chinese and foreign — promptly and inevitably took their cue from Mr. Rockhill's reported attitude. As to other foreign interests, they could then have adopted no other course, no matter what their desires might have been. Plans to form an international business men's reception committee died aborning. A British, French, German or Japanese *hong*, on being approached, would reply:

"We would be delighted to join in receiving the American fleet; in fact, we very much wish it to come to Shanghai — but we understand that the American minister has

expressed disapproval, and of course that ties our hands; you see?"

The effect upon Chinese was even more dampening. It had been planned for the guilds to take a prominent part in welcoming the fleet, and a report that it was coming had already permeated the whole Empire, creating a sentiment which was as near to enthusiasm as Orientals are, perhaps, capable of showing. Following the announcement that the "boxer" indemnity would be forgiven by the United States, it caused a desire among Chinese of all classes to reciprocate, and the proposed visit of the fleet provided an opportunity. Mr. Rockhill left Shanghai after a short stay and proceeded to Peking, where news of his action had preceded him. One of his first acts after reaching Peking was to cable the State Department advising against sending the fleet to China. It is probable that almost before this message was delivered it was being discussed in the Wai-wu-pu, whence it quickly percolated throughout Chinese officialdom.

Consider, now, the position of the Peking Government. It had invited the American fleet to visit China, and understood that the invitation would be accepted. Preliminary correspondence with the Washington Government had been carried on during the absence of the American minister from Peking. Now, upon arriving to resume his duties, instead of lending his support, he set to work to block the project, and on grounds which could not be other than intensely humiliating to China. Yet the Peking Government could not gracefully retract its invitation; it must await action at Washington; but its attitude toward the fleet's visit became, from that moment, purely perfunctory. It could not withdraw; and it was left in a state of uncertainty. Foreseeing possible humiliation in the eyes of the world, and consequent loss of prestige in China, the Peking

Government had only one rational course open — to proceed with the affair in a way so it might "save its face." A little later it was announced that the fleet would visit Amoy, but this was coupled with the news that only half of it would come, commanded by a junior Admiral. I was in Shanghai, having come from Peking by way of Hankow, when this announcement was confirmed, and on the following day a Chinese who has been to America, who was an interested auditor when Mr. Taft made his Shanghai speech, and who is prominent in the guild organizations, remarked to me:

"How can this action of your Government be reconciled with Mr. Taft's assurance of its friendship to China?"

Within a month afterward it was being repeated throughout China: "A Number two fleet and a Number two Admiral are coming to China": which usually was coupled with the statement that a Number one fleet and Number one Admiral were going to Japan. When this became generally understood popular enthusiasm about the incident subsided. With the selection of Amoy, a comparatively remote and inaccessible port where cholera is seldom absent, which would preclude extensive participation of Chinese, and the reduction of the fleet, the Peking Government knew that interests which desire to keep China in an inferior position had triumphed by inducing the Washington Government to accept their view. From then on there was no further thought of inviting the Admiral and his staff to Peking. If America regarded the incident as of secondary importance, then Peking also would adopt this attitude.

The happenings at Amoy, therefore, might have been anticipated, and professed surprise at failure of the Chinese to enthuse and at the obviously perfunctory char-

acter of official functions which attended the stay of the fleet there betrays a lack of information of factors and influences which attended the incident. One curiously perverse conclusion which was by some drawn from the failure of the Peking official press to make much of the visit is that it illustrates the ignorance and backwardness of the Chinese Government; whereas, on the contrary, it is evidence of dignity and self-respect; of understanding, not ignorance of the amenities of the function. One could hardly expect the Chinese Government to emphasize, in its own appreciation of the visit, the condescending spirit which apparently, on the part of the United States, pervaded the affair. China's attitude and actions were quite correct officially, and she justly cannot be blamed for refusing to become enthusiastic over an incident which obviously assigned to her an inferior position in comparison with her Oriental neighbor and rival. From what might have been a remarkable demonstration, conducive of encouragement to China and advantage to American interests there, the visit of our fleet degenerated to a perfunctory display of force; and even this aspect lost effectiveness by reduction of the fleet.

In respect to China, the impressions which resulted from the visit appear to be: (a) it again has been borne in upon China that she must not aspire to equal treatment by the powers until she attains military and naval efficiency; (b) results of Mr. Taft's visit and the return of the "boxer" indemnity have been modified; (c) it has been intimated to China that America regards relations with her as being less important than relations with Japan; (d) in some quarters, especially in the Orient, the inference will be drawn that America adopted this attitude toward China because she was afraid of incurring the displeasure of Japan. In respect to the world, these im-

pressions may be disseminated: (a) that the Chinese people and Government are backward in responding to such advances, (b) that Chinese are less friendly to America than are Japanese, (c) that the United States is not inclined actively to support China in preserving her integrity and the "open door!" All these inferences are what other foreign interests in the East desire, rather than what is to the interest of America. Influences which opposed a visit of the fleet to China seem, therefore, substantially to have had their way in shaping impressions made by this incident.

This, however, should be remembered: Any adverse impressions which Chinese may get from the incident will accrue to the United States and American interests in China, while the part played by other foreign interests probably will be overlooked, or minimized. I wonder for how long will our eastern policy continue to be, in its minor phases, the cat's-paw of other nations? I cannot see what America has to gain by lending support, even passively, to a policy which tends to secure competing nations in their present advantages by arraying against American enterprise in China the inertia of obsolete conditions. The principles enunciated by Mr. Taft at Shanghai carry greater promise for all legitimate interests in China, and it may be hoped that they will be given effect by the formulation and prosecution of a real American policy for the East.

CHAPTER XXVIII

FOREIGN RESIDENTS IN CHINA

THE FOREIGN SETTLEMENTS — THEIR DEVELOPMENT AND GROWTH — MODERN SHANGHAI — GOVERNMENT OF THE FOREIGNERS — THEIR CHARACTER — DOUBLE STANDARDS OF LIFE — GRADUAL REVERSION TO NORMAL — ESTABLISHMENT OF FOREIGN COURTS — PROCESS OF SOCIAL EVOLUTION — POSITION OF THE UNITED STATES — REGULATION OF SOCIAL EVILS — ATTRACTION OF UNDESIRABLE CLASSES TO AMERICAN JURISDICTION — CREATION OF A UNITED STATES COURT FOR CHINA — ATTEMPTS TO DESTROY IT — THEIR FAILURE — USES OF THE COURT — AMERICAN CONSULAR NEEDS — FOOLISH "ECONOMY" — PRESENT STATUS OF FOREIGNERS — THEIR ANOMALOUS POSITION — THE FOREIGN MISSIONARIES.

A GRAVE international question growing out of the evolution of China is involved in the situation of foreign residents there. When, in order that foreign trade of the Empire might develop, treaty ports with so-called "concessions" set apart for the residence of foreigners were established, it is doubtful if their remarkable growth was foreseen. However this may have been, these concessions have developed into modern social and business communities, with all the activities and relations which such a condition creates, and their government presents some unusual features. The foreign settlements of Shanghai perhaps afford the best example of this peculiar situation. The settlements are now estimated to have a population of from 600,000 to 750,000, and are rapidly growing; and this population includes representatives of nearly every race

THE BUND, FOREIGN SETTLEMENTS, HANKOW, CHINA.



and nationality in the world. The situation is further complicated by the fact that the foreign settlements adjoin the native city, with its large Chinese population, thus really forming a single great community.

In the beginning, the Chinese Government granted separate concessions at Shanghai to the more important treaty powers; but in time all of them except the French concession were amalgamated into one called the International Settlement. Since foreigners residing in China must be amenable to some law, it has been the practice to place them under the jurisdiction of the legation of their governments at Peking, and if a nation is not diplomatically represented there its interests are delegated to the care of a friendly power. The foreign legations do not exercise actual administrative functions except indirectly, and consular representatives in the treaty ports usually perform this duty. With the growth of the settlements, the purely legal functions of the administration of extra-territoriality gradually, in the case of more important nations, outgrew and overtaxed the consular staffs, and this led to the establishment of regular courts.

It required, however, consideration and tact to create a system by which the settlements could be administered. The presence inside their jurisdiction of many Chinese (Chinese now constitute about 98 per cent. of the total population of the Shanghai foreign concessions) led to the creation of a mixed court, whose functions have been described. Causes involving exclusively foreigners, or in which foreigners are defendants, must be tried in the foreign courts; which means, in the case of nationalities which have not established regular courts, that cases will be adjudicated in consular courts. To make this matter of jurisdiction clear by example, if only Americans are involved, a case will be decided by the United States

authorities; if an American is defendant the case also goes to the United States authorities; but if an American citizen or entity is complainant in an action against another foreigner, the case will go to the court of the nationality of the defendant. Nineteen nations now have consular representatives in Shanghai, involving that many different foreign judicial jurisdictions, which gives an idea of certain complications of this condition.

It is clear that this system depends for efficiency, in a considerable degree, upon coöperation of the various foreign authorities which jointly subscribe to it. For instance, a German subject may kill an American citizen in the foreign settlements of Shanghai under circumstances where the more important witnesses are foreigners of other nationalities, say French and British. The case will go to the German court; but the German court cannot legally compel British, French or American witnesses to answer to its subpœna and testify. They can only be so compelled by their own national authorities, and unless there is coöperation in such matters between the various regular and consular courts the ends of justice may be defeated. Specifically to elucidate the almost infinite legal complications which must arise in a community like this would be prolix; and probably enough has been said to indicate the general condition which exists. One probable effect is evident. Failure of any of these numerous jurisdictions to maintain a moral and judicial parity with the others inevitably will make it a harbor and refuge for undesirable elements in the foreign settlements, and to the extent that it lends itself, through official laxity or actual connivance, to their protection, it encourages and fosters these elements, and is not only a discredit to its nationality, but becomes a detriment to the entire community.

In this connection it is pertinent to consider the char-

acter of foreign communities in China, and this requires a brief glance at their history. For many years after foreign trade got a foothold in China, the conditions which surrounded residence of foreigners there were extremely lax, and this attracted many persons who for various reasons found residence in western countries no longer satisfactory. It resulted, therefore, in accumulation of a foreign population which contained, beside respectable members in the ordinary sense, a varied class of adventurers. In the beginning, this class was jointly composed of all nationalities represented in the foreign population in about similar numerical proportion. A result was that two standards of life were established; one which closely followed rules of social and business conduct which exist in western countries, and another which indulged many departures from conventions of western civilization, and also from its ethical practice. The saying: "Oh, anything goes on the China coast," became a by-word, and was made the excuse for actions by foreigners which would be severely reprobated in their home countries. A few years ago it was common among foreigners in China to have more than one domestic establishment, and such a life did not seriously detract from a man's social and business position in the community. In business relations with Chinese a similar latitude was permitted, which also found expression in a phrase: "We are not out here for our health."

Up to a certain point the evolution which contact of foreigners with China has caused progressed along comparatively parallel lines in respect to nationality. But the passing of years brought changes; an immense extension of foreign business in the Empire, and consequent growth of the foreign communities. As China was brought more within the influence of conventional western

business and social standards, it was inevitable that they should be more rigidly applied to conduct of foreigners there. Those nations whose interests had attained greater development naturally were first to take steps to safeguard them by compelling conformity to established customs, and this meant closer regulations of business and social excrescences. In this, as in many matters, England was a pioneer, by establishing a British court in China. Other important governments followed this example, until now most of the major powers directly interested in the future of China have created courts there.

This desirable and proper action was not, however, simultaneous or the result of international agreement. Each nation acted independently and at different times; so reformation of the foreign communities was graduated through a period of many years. As definite and properly constituted judicial procedure supplemented consular authority in the administration of justice, and enforced normal western standards within the limits of their jurisdictions, licentious elements of the foreign communities found their opportunities curtailed, and were driven to take refuge under the wings of nations which retained the old loose methods. Many nations whose interests in China are comparatively small have delegated the administration of their extra-territorial rights to friendly powers, but there remained several havens where parasitic and unwholesome social segments were tolerated.

Among the greater foreign powers, the United States was last to set about properly regulating its nationals in China, with a result that undesirable persons and enterprises of all nationalities, and which were compelled to shift their legal jurisdiction, accrued to our nationality there. Shanghai is the metropolis of the East, and the commercial heart of China, and consequently is the Mecca

of every fraudulent scheme which is forced by an inhospitable and too familiar West to try its fortune in the East. The underworld of the China coast, especially the foreign section of it, is composed of the same classes as in other countries; and comprises various phases of actual and pseudo-criminality, from an absconding cashier or political "grafter" to those members of society whose effort is to skirt the edges of law without getting entangled in its meshes, such as gamblers, prostitutes and their attendant parasites. Under ordinary circumstances, these elements are regulated by municipal police, but under conditions imposed by extra-territoriality this familiar method is not always practicable.

The process by which a major part of this element in the foreign settlements of China enlisted under the Stars and Stripes is interesting, but is too prolix for introduction here. The usual factors would be a disreputable American to father an enterprise or project, in order to fix its nationality, and the tolerance or timidity of an American consul, coupled with lack of definite legal jurisdiction. Candor prompts one to add that upon occasion the gravitation of this element toward United States citizenship was encouraged by some American consular authorities. The exclusion of this class from other great national jurisdictions, by relegating it to the position it occupies in the West, had the effect of concentrating it, which meant concentration of the "graft" which is the usual concomitant of its existence; and this bait proved too tempting to be resisted by some former American consuls in China. Moreover, these forms of vice, or at least some manifestations of them, are too deeply rooted in human habit to be eradicated entirely anywhere, which makes them surreptitiously tolerated even by so-called respectable segments of western communities. Take, for instance,

gambling and prostitution. In a country like China, where gambling is almost a national habit, and concubinage is legitimate, it is not to be presumed that any great moral turpitude is attached to them. Whatever we may pretend to the contrary, these vices are almost as deeply engrafted into our civilization as they are into that of the East, although our outward attitude toward them differs; and there is a powerful section of the foreign communities of China which wants them to exist provided some national skirts can be cleared of responsibility in the matter. So while some governments placed an official ban upon these social offenses, officials and subjects of those governments were quite willing to see them continue to exist by taking refuge under other foreign jurisdiction. They severely reprobated them in public; oh, yes, indeed; and rather rated Americans for making their position tenable. But other national sections of the foreign population continued to make the existence of such institutions possible by freely contributing financial and moral support.

Brusque as this statement may appear, it is substantially true. In fact, one of the immoral conditions mentioned, that one commonly designated *the social evil*, has its roots firmly fixed in strongholds of so-called social respectability in China, by indirectly contributing to their financial support, and through the not less powerful relation of personal attachments. No element of the foreign community of China has been a worse offender in this respect than the British. Many years ago the British Government adopted a policy in the East, particularly in its East Indian possessions, where racial segregation is an important factor in the administration of government, of forbidding the presence of English women of a certain class; and owing to identity of language, even loose American women are excluded

from India, Burma and the Straits Settlements. In adopting this policy, however, the British Government had only political effect in mind, for such women of other nationalities are tolerated. In Hongkong American loose women are permitted, but no English. In China, the regulation of other foreign women by Great Britain is not possible, but there also British loose women are excluded. But Britishers in proportion to their numbers everywhere in the Orient contribute their quota to support other foreign women of this class; indeed, it is not going too far to say that they encourage their presence. So long as British "face" in the matter is saved, the average Britisher in the East regards with toleration, if not with approval, the existence in the community of such elements.

When, after years of indifference and neglect, Congress awoke to its responsibility in this matter and created, in 1906, a United States Court for China, the general situation in respect to undesirable foreigners there was about as I have indicated. In establishing this court Congress evidently acted upon imperfect and insufficient information. The enabling act extended to China the laws of the United States, the common law and ministerial regulations then existing. It is apparent that the code thus extended for a working basis for the new court is very barren. The laws of the United States are limited in scope, being confined to matters which lie within the Federal jurisdiction, and do not include the major part of criminal and civil law which applies in the States; the common law is at best rather vague and uncertain; and ministerial regulation, even if a comprehensive and practicable code existed — which it does not — is at best a makeshift, and constitutes delegation of law making power to a single individual who may not be equipped properly to exercise it.

Under these conditions the United States Court for

China was inaugurated. Hardly was the court organized when it began to encounter difficulties. Some of these difficulties were due to then unavoidable causes, and some were created by foreign elements in Shanghai and other parts of China, which at once recognized in it a menace to their profitable existence. The direct opposition which the court encountered deserves consideration, but the unavoidable difficulties are the more important and may be discussed first.

In organizing the court Judge L. R. Wilfley began by striking squarely at one of the foundations of vice and quasi-criminality among foreigners in China. He announced that persons who desire to practice in the United States Court for China must file with the court a certificate of good moral character, and pass an examination prescribed by the court. As such matters are organized in China, this order applied only to American lawyers; for it is customary for the court or consul of each nationality to judge qualifications of its own national practitioners, and other courts admit these lawyers to practice by courtesy. This plan is the only practicable one under the circumstances, and makes each nation responsible for the character of its nationals whom it permits to practice in the settlements courts. Concentration of certain vicious and shady elements under the jurisdiction of the United States had induced them to employ American lawyers in most of the litigation and quasi-legal phases which always attend such enterprises, and some American lawyers had been attracted to China chiefly by this condition. Immediately after its organization, the United States Court offered an examination to persons who desired to practice before it, which was taken by a number of Americans. None of the lawyers whose practice was chiefly drawn from the foreign half-world of China passed.



VIEW OF SHANGHAI INTERNATIONAL SETTLEMENT FROM THE RIVER.



SCENE ON THE WHANG-POO RIVER, SHANGHAI.

The Court announced that another examination would be given in a short time, when those who had failed might try again.

By this time, however, certain elements had recognized an enemy in the United States Court, and organized to fight it. Such efforts were, naturally, focussed upon the judge of the court. American lawyers who had failed to pass the examination chose to take umbrage at its result, and began to assail Judge Wilfley in various ways. In time, when it became apparent that Judge Wilfley was not easily to be deflected from the course he had planned, a regular campaign to discredit him was organized. A fund was provided by the element whose existence was threatened, and an American lawyer who failed to pass the first examination was selected to carry the war against the court to the United States. He went to Washington, where he filed a long list of charges against Judge Wilfley, alleging abuse of authority in refusing to admit the lawyers in question, and in other actions regarding causes in litigation before the court. The sensational character of these charges resulted in giving the matter considerable publicity in America, and a benighted Member of Congress was induced to introduce a bill to abolish the court. This attempt to destroy the prestige of the court in China and at home was fostered by telegrams to newspapers in the East, repeating the charges against Judge Wilfley in a manner calculated to suggest that they were likely to lead to his disgrace and retirement. Another fund was raised, and an American lawyer made a second trip to Washington with the avowed intention of having Judge Wilfley impeached. He filed charges against Judge Wilfley with the State Department; but Secretary Root, after an investigation, dismissed them. An effort to have Judge Wilfley impeached also failed.

Of Judge Wilfley's acts in China, that which caused more comment are the series known as the *American Girl* cases. It may be remarked, in passing, that the *sobriquet* "American Girls" has for many years been used to designate a certain class of women in the East. These women have been a conspicuous feature of eastern life. Theirs are the smartest equipages to be seen during the fashionable driving hour in the Bubbling Well Road. The fame of the demi-monde of Shanghai, for beauty and *chic*, has gone around the world. Not all are Americans, but a majority of the more fashionable ones are, owing to unusual conditions which formerly existed. Judge Wilfley let it be known that the American flag could no longer shelter this element. There was consternation, followed by panic. Many women left in haste for Hong-kong and Japan. Others resorted to the device of changing their nationality to one of several jurisdictions which still permit the old-time laxity. One method of affecting this transition was to marry, and men were found in the riff-raff of the China coast who, for a consideration, lent their names to this evasion. No social episode has for years stirred Shanghai more, and much serious and jocular comment passed in the homes and clubs. A foreigner was heard to say:

"I hear that the price for marrying an American girl is quoted at 3,000 taels."

"Hardly enough inducement, I should say," was the reply.

Although the meretricious attempt to discredit the United States Court for China, by assailing the character of its first presiding judge, failed, much remains to be done before it properly can perform its functions. Americans who have studied the situation recommend that Congress extend the California statutes to the Court for China, to-

gether with a number of special provisions. A provision which is needed is extension of extradition treaties to include our extra-territorial jurisdiction. Special probate and corporation laws are required. These are matters which imperatively demand action by Congress. A United States Court in China will be of little avail in establishing American social and business standards on the same plane they occupy at home unless it is given some law which will cover ordinary crimes and civil actions. I doubt if past toleration of social evils has seriously damaged Americans in the eyes of Chinese, as some severe moralists think, for Chinese are by custom and tradition themselves very tolerant of such matters. But continued failure to assure the business interests of China, that, in issues between them and Americans, their interests may be safe in the United States Court for China, may check reviving friendliness between the two nations, and adversely affect the future of American commerce in the East.

In connection with the position of Americans in China a vital factor is the consular service of the United States Government. Owing to extraordinary conditions attending foreign residence and business throughout the Empire, the Government should send to do its service there only the best men who can be induced to enter it. John Hay once remarked that the position of United States Consul-General at Shanghai is the most important post in our consular service. There is no doubt that this statement is substantially true, and in proportion to the prominence of the ports where they are located this also is true of our other consulates in China. In no other part of the world do our consuls have to perform such complex, varied and important duties, and only a high degree of intelligence and integrity should be summoned to the work. The consulate at Shanghai is hardly a consulate proper; that is,

it is an ordinary consulate and much beside. There are directly connected with the consulate and under the supervision of the Consul-General a post office, a court, a jail, an inspection bureau to examine Chinese who wish to go to America, a medical bureau, and a commercial department.

The duties of an American Consul-General at Shanghai are reproduced, in kind, though in lesser aggregate, at all consular posts in China. To get, however, at the disabilities under which the service, taking the Shanghai office as an example, is now laboring in the East, it is interesting to compare it with the position of other foreign nations in the same locality. In 1905 the total trade of the United States with China was approximately \$75,000,000.00, as against about \$76,000,000.00 for Great Britain, which nation led. Japan was that year third with less than \$60,000,000.00, while Germany was fourth with about \$15,000,000.00 and other nations straggling along behind. Great Britain gives its consulate in Shanghai about ten times the working force and facilities that are available for the American consulate, with a legal and judicial department entirely separate and independent. The British consular, court and postal buildings in Shanghai occupy extensive sites in the best part of the city, and are ample to accommodate the activities they are designed to house. The same is true of most other national buildings. The German consulate occupies an imposing position on the river front, and the German post office is a finer structure than some American cities of quarter of a million inhabitants possess.

For many years, now, recurring efforts have been made by the Consul-General at Shanghai, supported by American interests in the settlement, to procure a building properly to house the government branches centered there.

At times during the past twenty years the effort promised to be successful. On several occasions an option was secured on a plot of ground, but each time the deal fell through because Congress, actuated by what it was pleased to call economy, refused to authorize the purchase. The practical operation of this kind of "economy" is illustrated by some figures bearing upon the value of real estate in Shanghai. Nearly thirty years ago it was proposed to purchase as a site for an American government building and consular residence a strip along the water front in Hongkew, near the present center of the International Settlement. The property could then have been bought for \$15,000.00. It is now occupied by the main offices and godowns of the Nippon Yusen Kaisha, and is valued at \$1,000,000.00. The present American consulate is in a street directly in the rear of the N. Y. K. buildings, where it pays an amount for annual rent that would have purchased a fair site when the consulate was established. The British consular and court buildings are valued at \$1,000,000.00. The British Government did not pay anything for the land on which they stand, and has made this sum through the rise in values, not accounting the saving of rent. The present German consular buildings were erected at a cost of about \$30,000.00, on a site which cost less than \$6,000.00. They are now valued at half a million dollars. Twelve years ago the then United States Consul-General secured an option on a building site near the center of the Bund, just opposite the public gardens, one of the most desirable locations in the Settlement, for \$28,000.00. It is now occupied by the Yokohama Specie Bank, and could be sold for \$250,000.00. Seven years ago there was an opportunity to secure a good site, and its purchase by the Government was urged, but without success. It recently changed hands at more than

four times the price for which it could then have been bought.

So much for the "economy" of having failed in the past to provide proper accommodations for United States Government business in the Orient. Of course, no one wants or expects the United States Government to speculate in real estate, or to purchase property anywhere only because it promises to rise in value, but in considering needs of the service in China it is proper to take note that in important trade centers there values are steadily advancing, and will in all likelihood continue to do so for many years. Shanghai, at any rate, is destined to be a great city, the commercial center of the Far East, and investments in real estate there rest on as solid foundation as in any growing city in America or Europe. An argument that frequently has been urged against proposals to acquire suitable accommodations for American consulates in China, especially coördinate branches of the system, such as judicial and postal, is that China may recover her political autonomy, when the need for such facilities by foreign governments will terminate. Even so, desirable property always can be disposed of, usually at a profit. The United States Government has paid enough rent in Shanghai to have provided good buildings for every consulate it maintains in the Empire had it pursued the same policy as other foreign nations. That our Government's policy in this matter has been shortsighted and expensive to American taxpayers is not now so important as is the fact that the national interests are not being properly cared for, and are suffering, by comparison, in consequence. Several of its consulates in the East annually turn in a profit to the United States Government.

It is impossible to close one's eyes to the fact that the present status of foreigners in China constitutes an

anomaly, and cannot be indefinitely continued if the Empire endures. The foreign settlements at Shanghai are among the best conducted municipalities in the world. Both the French and International settlements (which form one community in a social and business sense) are administered exclusively by foreigners, although Chinese constitute about 98 per cent. of the population, own perhaps nine-tenths of real property, and probably pay nine-tenths of the taxes. Foreign residents of Shanghai claim that this fine city, with its good streets, electric lighting system, water works, bridges, fire departments, efficient police, and stable government would never have existed except for their efforts, and that gravitation of Chinese to it is because their lives and property are safer there, and their condition better than where they are entirely subject to their own Government. This view is reasonable, but apparently it fails to consider that these settlements never could have attained their present condition without the participation of Chinese. The meanest 'barrow or 'ricksha coolie owns an increment in the civic improvements and benefits of the settlements, for he contributes his quota of taxes to create and maintain them. To-day the Chinese are as necessary to the foreign settlements as are foreigners, and if for any reason they should abandon their residence there the settlements quickly would revert to a position of comparative unimportance. Indeed, these settlements provide an excellent example of the mutual advantages which come from peaceful contact of the East and West.

Chinese appreciate that the existence of foreign settlements benefits them, yet one can observe among Chinese the growth of a desire directly to participate in their administration. Chinese residents of the settlements are beginning to note discrepancies between their situation and

that of foreigners, and to resent them. In a way, this disposition is manifestation of a growing national spirit. Chinese are beginning to measure their condition by new standards. A situation which was satisfactory to them ten or twenty years ago does not content them now. Their views of life and of the world are broadening, and since western influence and example chiefly is responsible for this evolution, the West logically cannot deplore it.

Yet most foreigners in China do deplore it, and many see in it a menace to their position. To speak of abolishing extra-territoriality to the average foreign resident in China is something like shaking a red rag at a bull; he at once has a vision of himself and family at the mercy of a Chinese mob, or if not that, of disintegration of his property through reversion, under Chinese administration, of the settlements to Oriental conditions of sanitation and civic institutions. Similar forebodings were indulged when extra-territoriality was abolished in Japan. It is curious to note that foreign residents in China who for so long have affected to despise Chinese for their alleged lack of patriotism now profess to find a peril in certain logical results of the new nationalism. Nevertheless, foreigners in China will, I have no doubt, find it necessary to recognize this altered attitude of Chinese toward some manifestations of western activity there, and to shift their own attitude to conform to it.

The situation of foreign religious missionaries in China, always interesting, is being affected by the new conditions. Their presence has been, directly and indirectly, the cause of many disorders in the past, the blame for which it is profitless now to endeavor to fix. Such disorders usually spring from dissensions between Chinese converts to Christianity and orthodox Chinese, and it is in coming to the support of native converts that foreign missionaries fre-



CLUB-HOUSE OF THE RACE CLUB, SHANGHAI, ON A RACING DAY.



LAWN OF THE SHANGHAI RACE CLUB ON A CUP DAY.

quently come into conflict with popular sentiment, and become objects of attack. Often a question of disputed jurisdiction causes a clash between missionaries and Chinese officials. Fortunately, such occurrences are less frequent than they formerly were, which partly is due to dispelling of popular prejudices against foreigners, and partly to abandonment by missionaries of methods likely to cause friction. I think that most foreign missionaries in China now recognize that it will not in the future be practicable for western nations to support them in issues with the Chinese Government which arise from religious activity. Such a policy is inconsistent with western modern political institutions, and incompatible with maintenance of international equity. There is a disposition among missionaries to be less aggressive in proselytizing, and rather to devote themselves to medical and educational work, hoping that by thus aiding and benefiting Chinese along practical lines they may open a way for spiritual influence to enter. That foreign missionaries have done and are now doing valuable educational work in China is appreciated by a majority of enlightened Chinese, who have no disposition to disturb them as long as their presence and work does not create disturbing political and social complications.

The relegation in Japan, by the abolition of extraterritoriality, of foreign missionaries to the same status which religious teachers have in western countries, has had one interesting result. This is the growth of a disposition among Japanese Christians to dispense with foreign ministers in their churches, in favor of Japanese preachers, and to manage their own church affairs. The foreign missionaries are troubled by this independent spirit of their converts, yet hardly can resent it. It evidently is a logical result of the evolution of Japan, and in time a similar situation may develop in China.

CHAPTER XXIX

THE PHILIPPINES TO-DAY

A SHUTTLECOCK OF POLITICS — THE SITUATION IN EVOLUTION — THE MILITARY REGIME — CIVIL GOVERNMENT — HERITAGES OF THE INSURRECTION — ESSENCE OF THE AMERICAN POLICY — PREDICTIONS OF FAILURE — GROWTH OF RACIAL ANTAGONISM — ATTITUDE OF SOME AMERICANS — THE PROBLEM PRESENTED — EVOLUTION OF FILIPINO PARTICIPATION IN THE GOVERNMENT — THE SITUATION NOW — AMERICANS IN THE GOVERNMENT — THE BUREAUS — THEIR RELATION TO THE WHOLE WORK — AMERICANS LOSING HEART — REASONS FOR THIS SENTIMENT — THE DILEMMA — DISINTEGRATION OF THE "INDEPENDENCE" MOVEMENT.

SINCE their acquisition by the United States the Philippine Islands have suffered from an excess of politics.

Primarily, they have to some extent been the shuttlecock of American party politics, in the sense that they have been used as an issue in attempts to further factional interests in the United States, often without real regard for the interests of the Filipinos. Secondarily, they have felt the direct application of government in the course of constant evolution of its basic principles and administrative forms.

Manifestations of the first condition fortunately are diminishing, and probably will become practically extinct with better understanding by the American people of the situation in the islands, and their relation to us. But the second condition, though being slowly improved by modification, still exists in some degree, and must continue

in a variable equation for many years; and this gives to the political problem there perennial interest and importance.

It hardly would be worth while to mention the former military regime in this connection, since it is improbable that there will be occasion to revert to it, did it not embody the genesis of sentiments which still remain active factors in insular politics. The military regime was, naturally and essentially, a government administered almost exclusively by Americans, with immediate aims and purposes of the United States chiefly in mind. Even if a state of insurrection had not existed, it is probable that this condition would have had the effect of dividing the community into two classes, foreign and native, each feeling that its interests were somewhat antagonistic to those of the other. The insurrection made this certain, and the line then drawn is still perceptible in nearly all political issues.

Circumstances which attended the beginnings of civil government made it inevitable that it would inherit the condition which was the basis for this sentiment. The change was approached with caution and some uncertainty, and necessarily was gradual. In attempting to formulate a Philippine policy the United States had a choice of several alternatives: to exploit the islands chiefly for the benefit of the external sovereign power, using force to maintain order and compel submission; to govern the islands by force, but with justice and an equity subordinated only to broader national interests; to administer the islands with a view to inculcating liberal political principles, affording practice in their exercise, and ultimately granting local self-government when the people are fitted for it. The first mentioned policy is substantially exemplified by Dutch administration in Java and the Celebes,

and the second by British rule in Egypt and India. Of the third modern history affords no parallel; but the United States Government elected to try this experiment, believing it to accord better with the principles of its constitution.

Had American authority been extended to the Philippines under different circumstances, it might have been possible to begin this experiment unhandicapped by pre-conceived racial antipathy. Unfortunately, however, this condition already existed when civil government was established, and at once became one of its principal embarrassments. The essence of the policy thus put into practice demanded employment of Filipinos in the administration of government, both as a means of satisfying the people, and as the only practical way to teach them republican institutions. In the beginning comparatively few natives were given office, except in capacities which Americans could not be induced to accept. Yet this moderate and tentative step caused dire predictions of disaster by certain segments of the American element, which feared or pretended to fear that native administrative incapacity, coupled with disloyalty, would embarrass or altogether disrupt the Insular Government. Many Americans then thought that a civil government would not be able to complete the suppression of internal disorder, and thought abolition of the military regime to be premature and perilous.

This opinion of a majority of Americans, who were frank in expressing it, tended to keep alive racial antagonism, through assumption of superiority on one side, and presumption by it of inferiority of the other. This attitude is galling even to a poor spirited people, and in this case prevented rapid healing of the breach caused by war. The situation was indeed difficult. During the

military regime the position of Americans was one of almost absolute supremacy, and establishment of civil government again placed them on a level with the natives so far as their position before the law is concerned. This in itself was irritating to a certain type of individual, especially one somewhat exalted by an unfamiliar taste of authority. The truth is that many Americans then in the islands had, being for the first time in a foreign atmosphere; and for the first time measuring themselves and their political capacity in comparison with a backward and subjugated race, lost the sense of perspective and were inclined to appreciate themselves and deprecate the Filipinos out of proportion to the genuine qualities of either.

Those men, among whom William H. Taft was prominent, who had responsibility for the success or failure of our chosen policy, evidently recognized the difficulties of the situation; but felt the necessity of moving along one of two paths which, while apparently only slightly diverging in the beginning, ultimately must lead to widely different results. To have taken the view of the problem as it was held at the time by most American residents would have amounted to practical abandonment of a fundamental hypothesis of our policy before it had been tried, by assuming Filipinos to be incapable of attaining the goal which we voluntarily had set for them. By outwardly setting up two standards of capacity, and two official and political strata in the administration, the Government would have hardened and given permanency to racial feeling which already existed and made it, as the British have done in India, irreconcilable to real native autonomy beyond a certain point. This condition is not incompatible with the theory and object of England's policy in India, although the present situation there

is causing grave doubts in some quarters as to its ultimate success; but it is absolutely hostile to the spirit of the political experiment which the United States is conducting in the Philippines, and if pursued would in time reduce it to absurdity. The Government in Washington and in Manila apparently has known this from the beginning, and so far has persistently adhered to its original theory, notwithstanding the disgruntled attitude of a large proportion of Americans who reside in the islands, and frequent flank attacks directed from America.

When civil government was established, in 1901, Filipinos were invited to participate in its administration, and quite a number of them were appointed to important offices. The policy then established has been consistently continued during the years that have since elapsed. During this period the proportion of Filipino officials and employes of the Government has steadily increased, while the proportion of American officials and employes has diminished in a similar ratio. In the beginning many dictums, which now seen in perspective seem rather ridiculous, of alleged Filipino incapacity were advanced, and for a while adopted in administrative organization. It was held that a Filipino could not, for instance, drive a team of American horses or mules; and that a native could not be entrusted with the duties of ordinary clerkships. American teamsters were employed, and Americans were used at \$60.00 per month wages to perform work which in China and Japan is done by natives for \$6.00 per month. Thousands of Americans who had served in the army secured their discharge in the islands, and many found employment in Government positions. To the credit of our nation it may be said that these men, on the whole, performed their duties well, and have made an indelible imprint upon the islands and people.,

Such a condition could not long continue. The insular revenue is small, the needs of the people and country many; and it is not just to tax the people to pay high wages to Americans, while excluding Filipinos from positions they are quite capable of filling at lower wages. It was necessary to reduce administrative expenses wherever possible, and this meant that many Americans had to go. The process has been gradual, and has extended from the bottom upward. Filipinos now drive the mule teams, and check imports at the custom house. The work is as well done, although a few more men are engaged in it, than when Americans were employed, and at half the expense to the Government. In this connection it should be kept in mind that the Filipino people pay a greater part of the taxes which support the Insular Government.

To-day Filipinos occupy a prominent place in the administration of the Government. Of provincial governors there were in 1908 twenty-nine natives and only eight Americans. The Supreme Court was composed of four Americans and three natives. The Court of First Instance included thirteen native and nine American judges. The Land Court was composed of one native and one American judge, the senior being a native. Nearly all the third members of provincial boards are natives. A majority of provincial treasurers still were Americans, but the percentage of natives who are appointed to this position is steadily growing. Practically all municipal *presidentes*, the *barrio tenientes* and justices of the peace are natives. The Commission has three natives upon it, and there was not an American in the first Assembly.

When the brief time that has passed since the establishment of civil government and the antecedents for it are considered, it must be conceded that the American

policy has made substantial progress toward fulfillment of its promises. But while much administrative machinery has been turned over to Filipinos, a majority of executive positions under the central Government still are filled by Americans. Filipino members of the Commission, for instance, do not at present exercise executive functions. Departmental administrative bureaus are under supervision of the five American commissioners, while the larger bureaus are directed by American chiefs. Thus the bureaus of Education, Science, Agriculture, Prisons, Police, Finance, Printing, Posts, Justice, Revenue, etc., are apportioned among the five American commissioners, like Cabinet positions at home; while bureaus are managed by officers appointed by the central authority, which in this case is the Secretary of War, under the President.

Under American administration these bureaus have done remarkable work in the islands. They have brought order out of chaos, have replaced inefficiency by efficiency, have created important and beneficial institutions where nothing previously existed, and have laid firm foundations for a stable and modern government. The bureaus constitute the administrative backbone of the Government, and their efficiency depends not only upon the chiefs, but also upon the integrity and efficiency of various department heads, clerks and employes.

To elucidate the work which the bureaus have accomplished would require full examination of all of them, which is not possible here; but as an example of what is being done one may be selected which makes a peculiar appeal to the interest of the American people — the Bureau of Education. Since 1901 some 2,300 American school teachers have served in the islands, and more than 800 still are employed. It is hardly possible to speak too highly of their work, notwithstanding scepticism in

some quarters about the practical value of some instruction given. A majority of these teachers came to the islands knowing no language except English, and immediately were distributed through the provinces, and there set to organizing schools. Their work may briefly be summarized by giving some of its results. There were in 1907 3,687 schools open, with an enrollment of nearly half a million pupils. Over 6,000 Filipino teachers are employed, a majority of whom were themselves instructed in the work by American teachers and school superintendents. In the course of a recent trip about the islands I gained an inkling of conditions under which this work has been accomplished. At many places the head of the local school district is the only American living there, and the school buildings little better than shacks; yet the school would appear to be doing nicely. The schools in these islands literally are pioneers of our civilization, and propagators of our political institutions.

In their special branches the other bureaus have accomplished quite as much as has the Bureau of Education. The bureaus have been brought into this discussion, however, not for the purpose of describing their work, but to bring out a factor which bears directly upon the political situation. There is danger that the efficiency of the bureaus will be disintegrated by gradual elimination of the American element which has organized and now directs them. Americans in the Government service are becoming dissatisfied, not with their positions so much as with their prospects. They note the trend of our policy, and already foresee that in time, should it be adhered to, Filipinos will replace Americans in the bureaus. It may be said, in passing, that a majority of bureau employes now are natives, but the more important places are held by Americans, who exercise the superior authority. This

feeling is extending to other branches of the Government, to American judges of the Court of First Instance, has even penetrated to the Commission. In fact, a disinclination to remain in the Insular service is diffused through the American element in the civil list from top to bottom.

The position in which the average American Government employe finds himself substantially is this: He comes to the Philippines in the hope of opening up a career for himself in a new country, often imbued with a patriotic missionary spirit, and sets to work at an arduous and difficult task. Years pass; chiefly through the efforts of himself and his American associates the work is gradually put upon an efficient basis; it becomes less arduous and perplexing. But, if he occupies a position in one of the lower or intermediate grades, he sees Filipinos whom he has taught aspiring for his place, and frequently getting it. This wave has not yet reached the higher department clerks, or the bureau heads, but they can see it coming. A clerk who has been working with a view to promotion sees his chances growing remote; a bureau chief who may not fear for his own place realizes that he is losing his best subordinates, and that his bureau will lose efficiency. Furthermore, the novelty of life in the islands has worn away. Americans realize that they probably are doing no better than they could do at home, that it costs all they earn to live as they must live, and that their work is opening no satisfactory road to advancement. So a disposition to get out of the service is growing, and hardly a month passes without the bureaus losing a number of competent employes whose places cannot satisfactorily be filled. At present it is the intermediate grades of clerks who are dropping out, men who are earning from \$1,200.00 to \$2,000.00 a year.

This would not, perhaps, really matter much if these

men could be replaced by Filipinos of equal efficiency. Unfortunately, however, this cannot now be done, and there is no reasonable prospect that it may for a generation or so. The Government therefore is confronted with the problem of how to retain such Americans in the service. The existence of this difficulty is officially recognized, and the passage of a civil service pension law for the islands was recommended to the Assembly. This may in time be done; but Americans feel that their future now rests with Filipinos, not with their home Government, and few believe that Filipinos will do anything to retain Americans in the insular service. This view is not without foundation. There is no doubt that Filipinos are jealous even of the limited place Americans now occupy in the Government, and of the higher salaries which they draw. I believe that the average Filipino deep down in his heart would like to see all offices, great and small, held by natives, and will do what he can to bring this about. Given this disposition, to make the situation of Americans precarious is a means to an end. That by pursuing such a policy the Filipinos will injure themselves, by retarding progress of their Government and development of the country is not, I fear, now generally appreciated by them. Already certain elements in the Assembly have proposed to reduce salaries of offices held by Americans, and while such a measure was not enacted its proposal is evidence of desire to eliminate them.

The present political capacity of Filipinos and their progress in the understanding of liberal institutions has a definite bearing upon this proposition. On the day when Filipinos are adjudged qualified to administer all important governmental matters they will be ready for complete self-government. It seems to be recognized in high quarters that they have not yet attained this qualifica-

tion. Mr. Taft has said that one or two generations probably will pass before full autonomy can safely be granted. The hypothesis of our policy still assumes, therefore, that certain civic factors are lacking in native ability and character which must now and for some time to come be supplied by an American element in administrative affairs. The Washington Government and its representative in the islands, the American segment of the Commission, have drawn this line clearly enough in theory, but there are some indications of a tendency to overstep it in practice.

Taking the Insular Government by itself, as it is now organized, there are two checks upon the native element in administrative matters: The Commission and the Supreme Court. As long as majorities of these bodies are American it will be difficult for the Government to stray very far from a path circumscribed by American institutions. With either or both of these bodies controlled by Filipinos, many Americans fear that disposition to deviate from liberal institutions will creep in, and that racial discrimination again will raise its ugly head. Congress can veto any or all acts of the Insular Government; but Americans in the islands feel that they are a long way from home, and that it is not always easy to make Congress appreciate certain peculiarities of the situation in the Philippines. They point out that in the past high American officials have been replaced because they were not satisfactory to Filipinos, and that this policy of the Washington Government has the effect of weakening the authority of its representatives here, and tends to diminish American prestige.

This feeling, which had somewhat subsided under the influence of Secretary Taft's visit, in October, 1907, re-

vived as the attitude of the Commission toward the new Assembly developed. The Commission evidently has the design to make the Assembly share responsibility, at least in popular estimation, for the administration of government, with the object of diverting attention from the American policy and concentrating it upon affairs of the islands. By making Filipinos realize that they, through their chosen representatives, have the fate of their country in their own hands, many pernicious political ideas will lose force, and the way to peaceful fruition of the American policy be cleared of serious obstacles. This is a practical policy, and theoretically sound; but it easily is possible to carry it so far as to cause reaction. If it should have the effect of causing a large number of experienced and efficient American Government employes to quit the service, or, by leading Filipinos to think that natives can fill these places, create an agitation to oust Americans, it may counteract much of the Assembly's usefulness.

American officials and employes of the Philippine Government, of high and low degree, constitute a body whose efficiency and integrity is not surpassed, indeed, is rarely equalled anywhere. It is, I believe, superior in morale and personnel to similar bodies in the United States. Americans in the Philippines have become reconciled to the knowledge that Filipinos do not like them, and do not now appreciate at its true value the work our Government is doing; but the real drop of gall in the cup of these Americans is that their work is not appreciated at home. So American government employes are beginning to ask: "What's the use?" Unless they receive an encouraging answer to this question, they will get out of the Philippine service at the first favorable opportunity. One of them,

speaking to me about certain political tendencies in the islands, said:

"I'm not going to spend the best years of my life working to help the Filipinos only to have them kick me out in the end."

The Government is thus between the horns of a serious dilemma. It cannot justly make this a white man's country for white men, and a brown man's country for brown men, as some Americans would have it. Yet now and for many years the tiller must remain in American hands if progress is to continue. And, notwithstanding pessimistic forebodings, he must be wilfully blind who cannot see that we are making real progress in these islands. The entire country is at peace. There is no probability, one may venture to say there is no possibility of serious revival of the insurrection. The people rapidly are learning the forms, if they do not as yet entirely grasp the spirit of republican institutions. *Caciqueism* in its myriad semblances gradually is being suppressed as the *tao* learns his rights under the law, and that he can secure justice in the courts. A compliment is due to native provincial governors, and the native judiciary, for their efforts toward moderating old evils. The native Justices of the Supreme Court are generally regarded, among those who are familiar with their work, to be quite equal both in ability and integrity to the American members; indeed, I have heard Americans assert that the three native justices are the real strength of the court. I see no serious cause for uneasiness should the Supreme Court even come to contain a majority of native justices. The native judges of the Court of First Instance are giving satisfaction. But the strong and experienced American hand should not yield the tiller yet awhile.

As to independence for these islands, the less now said



SCENE ON THE PASIG RIVER, MANILA.
Photo by Bureau of Science, Manila.

the better. There undoubtedly is an impulse toward nationality among Filipinos which now expresses itself in such an aspiration; but it seems to be diminishing, and will not be a disturbing factor in the future unless stimulated by encouragement from the United States. The Japanese war scare of 1907 did much to quiet talk about early independence, coupled with nonsensical discussion of a sale of the islands to that power. For an instant the Philippines had a glimpse of itself as another Korea or Formosa, and the vision had a salutary effect. One cannot say that the Philippine policy of the United States has plain sailing ahead, but there is every reason to believe that the worse difficulties in the way of establishing stable political institutions have been surmounted.

CHAPTER XXX

THE PHILIPPINE ASSEMBLY

A SIGNIFICANT EPISODE — CONDITIONS PRECEDENT — EXTENSION OF THE SUFFRAGE — QUALIFICATIONS OF VOTERS — THE SPECIAL ELECTION LAW — QUALIFICATIONS OF DELEGATES — FILIPINO POLITICAL TRAITS — THE REGISTRATION — POPULAR INDIFFERENCE — THE CAMPAIGN — PARTIES — PRE-ELECTION PROMISES — THE KATIPUNAN FLAG INCIDENT — INDIGATION OF AMERICANS — RESULT OF THE ELECTION — CHARACTER OF DELEGATES.

IN some respects the inauguration of the Philippine Assembly is one of the most interesting and important political episodes which has attended progress and development of the American nation. It is another move in the attempt to adapt our institutions to the satisfactory government of alien and unfamiliar peoples. It gives to Filipinos an opportunity to develop and demonstrate capacity for self-government; and gradually, under direction and restraint, to prepare themselves and their country for more substantial autonomy. Thus the experiment cannot fail to claim a share of the attention of civilization, and especially that of the American people, whose altruistic impulses have made it possible.

It is only by understanding political conditions which preceded convocation of the Assembly that any reasonable estimation of elements which compose it and probabilities which confront it can be made. When in 1901 civil government was substituted for military rule, extension

of local autonomy to the people was based upon two codes — municipal and provincial. The insurrection had just terminated; indeed, its reverberations had not entirely died away; and to build a stable administration upon its still glowing embers, by granting suffrage to a people previously unaccustomed to its use and unacquainted with its benefits, was a difficult and venturesome task. After much consideration, and not without grave misgivings, the Philippine Commission, of which William H. Taft and Luke Wright were members, formulated conditions which provided a basis for popular suffrage in local elections. As the municipal code then adopted has regulated elections in the islands since the establishment of civil government, and its provisions have been substantially embodied in the new election law, it may be well to quote the sections relating to qualifications of voters.

"Sec. 13. Qualifications of voters.— Every male person twenty-three years of age or over who has had a legal residence for a period of six months immediately preceding the election in the municipality in which he exercises the suffrage, and who is not a citizen or subject of any foreign power, and who is comprised within one of the following three classes —

(a) Those who, prior to the 13th of August, 1898, held the office of municipal captain, gubernadorcillo, alcalde, lieutenant, cabeza de barang gay, or member of any ayuntamiento;

(b) Those who own real property to the value of five hundred pesos, or who annually pay thirty pesos or more of the established taxes;

(c) Those who speak, read and write English or Spanish — shall be entitled to vote at all elections: Provided, That officers, soldiers, sailors, or marines of the Army

and Navy of the United States shall not be considered as having acquired legal residence within the meaning of this section by reason of their having been stationed in the municipalities for the required six months.

Sec. 14. Disqualifications.—The following persons shall be disqualified from voting:

(a) Any person who is delinquent in the payment of the public taxes assessed since August 13, 1898;

(b) Any person who has been deprived of the right to vote by the sentence of a court of competent jurisdiction since August 13, 1898;

(c) Any person who has taken and violated the oath of allegiance to the United States;

(d) Any person who, on the first day of May, 1901, or thereafter, was in arms in the Philippines Islands against the authority or sovereignty of the United States, whether such person be officer, soldier or civilian;

(e) Any person who, since the last day of March, 1901, has made or hereafter shall make contribution of money or other valuable thing in aid of any person or organization against the authority or sovereignty of the United States, or who shall demand or receive such contribution from others, or who shall make any contribution to any person or organization hostile to or in arms against the authority or sovereignty of the United States, for the purpose of securing any protection, immunity or benefit;

(f) Any person who, since the last day of March, 1901, has or hereafter shall in any manner whatsoever give aid and comfort to any person or organization in said Islands in opposition to or in arms against the authority or sovereignty of the United States;

(g) Insane or feeble minded persons."

These qualifications do not materially differ from those

maintained in some States of the American union, and in advanced communities throughout the world. President McKinley's instructions to the Commission, when civil government was established, were that it should give a liberal interpretation to the theory of local autonomy in drafting the suffrage provisions. The law was designed to extend the franchise to as many persons as conceivably were fitted to exercise it to advantage to themselves or the country. The educational and property qualifications are the only departures from general usage in the United States; and some States recently have taken measures to eliminate as political factors illiterate and impoverished elements of the community. When conditions that obtained in the islands when this code was adopted are considered, it must be conceded to be extremely liberal. Those clauses disqualifying persons who had taken part in the insurrection, and who surreptitiously or openly continued to agitate against the Government, were as time passed modified by amnesties, until all that now is required for a former *insurrecto* to exercise the suffrage is to take oath of allegiance to the United States and refrain from laboring to overthrow, by secret or violent means, its authority in the Philippines.

When, under the enabling act of Congress in 1902, President Roosevelt issued a proclamation ordering an election for members of an Assembly to be held, it was necessary to enact a special law definitely to circumscribe its conditions. This law divided the islands into eighty assembly districts, on a basis of one member for each 90,000 inhabitants, and major fraction of 90,000. There are thirty-four provinces which have local government. These include all inhabitants except barbaric tribes, and Assembly districts were apportioned among them according to population. No province has less than one

member, while many have two and several have three. Provinces are divided into *municipalities*, or counties, which are subdivided into *barrios*, or townships. Assembly districts are composed of a number of contiguous *municipalities*. By adopting this plan the Commission found equitable and practical apportionment comparatively easy. *Municipalities* were divided into precincts each containing not more than four hundred voters, the fixing of voting precincts being left to municipal councils; strictly bound, however, by provisions of the law which leave only essential discretion to local boards. On the whole, the regulations closely conform to those of modern election laws in the United States, with some minor deviations owing to peculiar local conditions.

The election law defines the qualification for delegates to the Assembly as follows:

"Sec. 12.—A delegate to the Philippine Assembly must be at the time of his election a qualified elector of the district from which he may be chosen, owing allegiance to the United States, and not less than twenty-five years of age.

"Sec. 5.—No Delegate to the Philippine Assembly shall, during the time for which he was elected, be appointed to any civil office under the authority of the Government of the Philippine Islands which shall have been created or the emoluments whereof shall have been increased during such time; and no person holding any office under the Government of the Philippine Islands shall be a member of said Assembly during his continuance in office.

"Sec. 29.—No public officer shall offer himself as a candidate for election, nor shall he be eligible during the time that he holds said public office, to election, at any

municipal, provincial or Assembly election, except for re-election to the position which he may be holding, and no judge of the Court of First Instance, justice of the peace, provincial fiscal, or officer or employee of the Bureau of Constabulary or of the Bureau of Education shall aid any candidate or influence in any manner or take any part in any election: Provided, however, That the foregoing provisions shall not be construed to deprive any person otherwise qualified of the right to vote at any election."

Briefly put, these were the legal provisions under which the first Philippine Assembly was selected; and so far as experience could afford a basis for conclusions, and legal knowledge frame a hypothesis from them, all customary safeguards were thrown about the election. In addition, extraordinary precautions were taken to instruct the people in the meaning and method of the law. It was widely published through the islands, and sample ballots were distributed. A school for election inspectors was held in Manila several weeks before the election, at which a practical demonstration of its paraphernalia and methods was made before 250 inspectors. Considerable interest in the law was manifested, showing that it had been widely read among the Filipino politicians and upper classes. Nearly five hundred letters asking questions concerning it were replied to by the legal department of the Philippine Commission. Some of these questions were rather amusing. One candidate wanted to know if he could provide voters with a rubber stamp of his name, so that illiterate persons might have no trouble in voting for him. Many amendments were proposed, and some of them agitated by the Filipino press; but few of these deserved serious consideration or gave promise of practical value. There were some suggestions that the qualifica-

tions of voters be changed; but these had been fixed by Congress in the enabling act and could not be modified.

Many proposed amendments originated in the inherent distrust with which, in political matters, a majority of Filipinos regard each other. The law provides that any illiterate or otherwise disabled voter may request an inspector to assist him in filling out his ballot. As most inspectors are appointed by provincial officials, it usually follows that they are partisans of a faction, and it was feared by some that inspectors would impose upon voters who applied to them for assistance. It was suggested that such voters be permitted to take into a booth with them some person "in whom they have confidence." Many of these suggestions were redolent with the real estimation in which the more intelligent Filipinos hold the political capacity of the masses. A prominent and respected Filipino official wrote to the Commission as follows:

"The real character of the Filipino cannot have escaped the observation of your honors. Almost all Filipinos, including those of the professional class, are poor in intelligence, poor in heart, poor in spirit, poor in body, and poor in morals; but rich in foolish desires and ambitions; so that with this fragile character of theirs any of them is susceptible of being bought for any price or consideration whatever."

The penal provisions regarding bribery and similar offenses against the purity of the franchise evidently caused considerable worry to Filipino politicians. One of these wrote to the legal department:

"The third paragraph of Section 30 of the election law threatens punishment to the person who makes any

promise to influence the giving or withholding of a vote. Does this prescription of the law include candidates who publish platforms or manifestos which contain promises of good government?"

A circumstance of elections which is particularly fruitful of fraud is registration, and in drafting this law care was taken to secure entrance to the lists for all persons who under a liberal interpretation of the qualifications are entitled to the suffrage. But difficulties arose. When civil government was established, there were no political parties in the islands. The people always had depended upon the central government for administrative initiative, and took little interest in politics outside their local affairs. Thus it happened that when the early municipal and provincial elections under American Government were held the people were somewhat puzzled. They had no parties or issues, and few leaders whom they trusted; so they usually elected for local officers men who were prominent and respected in the communities; or in other words, the best men. This is, of course, the ideal condition in popular government, and is rarely attained. It was responsible for much of the success which attended the beginnings of civil administration, and led to some optimistic assumptions concerning the political capacity of the people.

With recurring elections, however, conditions have changed. That class of agitators who in the days of the Spanish regime were active in promoting dissension, and who became prominent in the insurrection against the United States, found in these new conditions a field for political activity. Factions soon developed, and each succeeding election has brought a depreciation in the character of officials elected. Given an ignorant and simple-

minded electorate, an almost total lack of popular initiative, and we have the condition where political demagoguery best thrives. In the Philippines this condition exists in an acute degree, and only the restraining hand of the central Government has at times prevented disorder and reduced abuses to a normal equation. As time passed there was noticeable increase in abuses of official position. However, in 1907 there were only 182 actions against provincial officers on these grounds; which indicates that the people are learning their rights and are becoming less afraid to testify against corrupt and tyrannical officials.

The habit of deferring to constituted authority is so deep-seated among the people that care was taken in drafting the law to restrain the influence of the office holding class, and prevent it from controlling the election. This was the reason for making officials ineligible as candidates for another office while already holding one, and forbidding judges, justices of the peace, constabulary and school teachers from taking part in a canvass or election except to cast their own votes. Here, again, the law harks back to the Spanish regime, when the courts, police and parish schools were centers of local political influence. A generation must pass before Filipinos actually can realize that they need not do as those in authority bid unless they wish, and get over their fear of incurring official displeasure. The law provides that candidates for the Assembly must reside in the district which they aspire to represent. There were the usual evasions of all these provisions. No sooner was the law published than a number of Filipino "patriots" who live in Manila made haste to establish residence in some remote districts for the purpose of becoming candidates there. One man (who, by the way, was elected) thought it sufficient to visit a district, rent a house there, and return to Manila until just before

the election, when he again visited his district to conduct a whirlwind campaign.

The registration provided several surprises. Owing to the fact that the coming of the Assembly had been discussed for years, it was believed by many that the election would draw out a large vote. The number of legitimate voters in the islands, under provisions of the municipal code, never has been determined even with approximate accuracy. It is estimated that probably 600,000 can qualify, but the registration for any provincial election never has gone above 150,000. Ample notice of the time for registration was given in all districts, and four days designated on which voters might apply. Only 102,487 voters registered in all the provinces. There were numerous attempts to explain this seeming apathy. It was alleged that in some places the people were intimidated, that in others fraudulent methods were employed by factions to confine registration to their partisans. In some districts complaints of fraud were so well substantiated that Government agents were sent to make special investigations. Only in one province, however, were serious frauds proven. In other districts there undoubtedly were minor irregularities often involving fraudulent act and intent. But on the whole there is no reason to believe that registration was attended by greater irregularities than frequently occur in the United States. There is evidence that fully as many voters were registered who could not properly qualify as were improperly debarred; so frauds do not explain the light registration. Allegations that the Insular Government indirectly contributed its influence to this result have no foundation upon fact; indeed, its wishes were quite the other way in so far as it had any desire in the matter. The explanation is that a majority of Filipinos then cared little about the Assem-

bly, because it represented nothing tangible to them. The *tao* appreciates the relation to him of his *barrio alcalde*, his municipal *presidente* and councillors, even of his provincial governor. But an Assembly is another matter. What is it; what are its powers; what can it do? The *tao* never before had heard of an Assembly. Such a thing did not lie within his conception of Government. It was too vague for his mind immediately to grasp. So, notwithstanding speeches and manifestos, the *tao* did not take the trouble to register. Perhaps next time he will display more interest.

The Assembly campaign, nevertheless, was not without interesting and significant manifestations. If the people generally did not understand what the Assembly meant, Filipino politicians did or thought they did; they even had an exaggerated idea of its importance. This is shown by the fact that several provincial governors resigned in order to become candidates for the Assembly, although legitimate emoluments of the latter office are less than those of the former. In most districts a number of candidates appeared, and the fight waxed hot. I have said that political conditions in the islands have not yet developed the party system so essential to republican form of government; but this statement, while substantially true, should be modified. There had sprung up a sort of party, or faction, which was spoken of as *Federalista*, on account of its supposed affiliation with the Insular Administration. While the *Federalista* was not strictly speaking a Government party, in the sense of being directly associated with it, there is no doubt that it was encouraged by leading insular officials as a valuable adjunct in making American rule acceptable to Filipinos and in inculcating American political ideals; and its leaders

were largely Filipino office holders, and those who favored indefinite continuation of the sovereignty of the United States.

The *Federalista* party having lost some popularity through being denounced by its opponents as a tool of the Insular Government, the elements which composed it were in 1907 reorganized into the *Progresista* party, and its candidates made the Assembly campaign under this name. There was no practical issue involved in the election, but candidates had to have something to talk about which might enlist the attention of the people. Under the circumstances it was natural that the politicians would revert to the old theme of independence. As far as I am able to judge, there is little real desire among the masses of Filipinos for independence, and except when the matter is thrust upon their attention by agitators both there and in the United States, they take slight interest in the subject. But the word has a fine sound, especially to people whose conception of political freedom is at best very vague. So another party took the field, called *Nacionalista*, which advocated severance of the islands from the United States and the formation of an entirely independent government.

Factions soon developed in the *Nacionalista* party; but only two secured enough following to gain representation in the Assembly — the *Independista* and the *Immediatista*. The *Independista* and *Immediatista* differed from the *Nacionalista* only in degree. The *Nacionalista* favored independence, but did not specify just when severance should occur. The *Independista* also urged independence, but wanted it "soon." The *Immediatista* demanded independence at once, and no shilly-shallying about it. There was a fourth faction, called *Urgentista*. This fac-

tion wanted independence a little sooner than immediately; but none of the *Urgentistas* was elected, its followers supporting candidates of other *Nacionalista* groups.

Then there was quite a strong party called *Independent*. This was composed of the moderate element; of those who, perhaps, look forward hopefully to eventual independence, or some form of substantial autonomy under the protection of the United States, but who are willing to wait until the people are better fitted for self-government before making a change. The *Independents* declared their attitude to be "san color," or without prejudice. In Capiz a party sprang up calling itself *Modernista*, but it gained no following outside of that province.

Although these various groups took party names, and denominated themselves as such, they are parties in name only. Filipinos have no very definite conception of what is meant by party organization. They are a people whose political impulses move from the top to the bottom, not from the masses to the leaders. Political leadership there is purely personal. A man becomes prominent largely through the personal following he is able to secure. Many Filipinos have the gift of fervent oratory, and usually it is by its practice that politicians gain followers.

The first Assembly campaign proved to be a lively one. A number of vernacular newspapers were started in the interest of candidates and factions, and the regular Spanish and Filipino newspapers entered into the discussion with animation. In the beginning both speakers and newspapers were temperate in their utterances. But as the campaign progressed, and they became convinced that the Government had no intention of restricting or repressing discussion, a bolder tone was adopted. In a country where direct and severe criticism of the Government has never, until quite recently, been permitted, to assail it

is an easy path to cheap popularity, and political demagogues among candidates for the Assembly quickly seized the opportunity. Filipinos will not, as a rule, turn out to political meetings, or concern themselves about a campaign unless discussions are spiced by sensational utterances. So some candidates vied with each other in this. Many who really were conservative in their views were compelled, in order to prevent their followers from being stampeded by some more fiery orator, to follow the lead of demagogues. The formation of *Independista*, *Immediatista* and *Urgentista* factions of the *Nacionalista* party simply was a demonstration of this tendency of candidates to "go the other fellow one better." By the time this emulation was fully developed, many candidates were promising on the stump that if elected they would secure independence within a year. Toward the close of the campaign many speeches were incendiary in character, even treasonable.

During it all the Government took no part, and no official notice of fiery utterances; although American residents of the islands began to feel irritated at some expressions used by candidates, and privately criticized the Government for its inaction. The Government, however, was pursuing exactly the same policy which is followed under similar circumstances in the United States. But while the attitude of the Government was eminently correct theoretically, conditions in the Philippines are not the same as they are in America. People in the United States have had long training in republican institutions, and common sense of the community amply discounts sensational utterances by political speakers and violent journalistic diatribes. The average Filipino does not at present possess this saving grace of political "horse sense." To him an orator who denounces the Government is some-

thing of a hero, for in the old days such a man would have been promptly clapped into prison, and when the Government tolerates offensive criticism Filipinos are apt to reason that it is timid or afraid, and are inclined to take license upon this presumption.

Notwithstanding some apprehensions of disorder on account of such causes, the campaign and election passed without any serious contretemps. When it became known that the various elements of the *Nacionalista* party had elected a majority of the delegates, a demonstration was organized in Manila to celebrate the victory, which was attended by a disturbing and significant incident. During the campaign some candidates of the *Nacionalista* party frequently applied offensive epithets to the American people, and it had been customary at the meetings and processions of this party conspicuously to display the flag which formerly was the emblem of the insurrection, known as the *Katipunan* banner. It was also usual, however, to display an American flag at the same time. On the afternoon of August 11, 1907, a procession paraded the streets of Manila in which were displayed banners bearing inscriptions offensive to American residents, and a number of large *insurrecto* flags. There also was carried one American flag of small size. This procession stopped before the meeting hall of the Veteran Army of the Philippines, an organization composed of men who served in the United States army and navy during the insurrection, and a native band played "Aguinaldo's March" amid cheers of the demonstrators. The band then played a dirge, which was accompanied by shouts of derision. In the early evening this or a similar procession proceeded to the *Luneta*, where the Constabulary band was giving a concert. There is some divergence in accounts of what took place. It is alleged that a small American flag

which was carried by a Filipino boy was torn from his hand and trampled under foot by the crowd. This is denied by some; who assert that the offensive demonstration was limited to cheers for *Filipina Libre* and waving of numerous *Katipunan* flags. There is no doubt, however, that the demonstration was designed to express contempt for Americans and the Government of the United States. On other occasions, upon rendition of the "Star Spangled Banner" at the close of the *Luneta* concerts, actions showing repugnance and contempt were made by many Filipinos.

These cumulative incidents stirred American residents of Manila to action. A general committee was appointed, which issued a call for a meeting at the Opera House, on August 23. This meeting was an impressive occasion. It was participated in by all classes of American citizens, and members of the army and navy. Speeches were made by leading members of the American community. These were remarkable for moderation. Meanwhile, the Commission had communicated with Washington, and enacted two amendments of the Sedition Law, placing penalties upon acts designed to incite hostility to American authority, and forbidding display of the *Katipunan* flag or any *insurrecto* emblems. For several days there was a feeling of suspense in the city. Filipino politicians realized that they had gone too far, and the more influential native newspapers deprecated actions such as had led to the *Luneta* incident. Thus it passed without any serious result, and there is little likelihood that it will be repeated. But the American community was profoundly moved, and its sentiment undoubtedly influenced the Commission to take prompt action.

Although no special significance may be attached to the result of the election, the returns developed some interest-

ing matters. The total vote cast was 100,493, very nearly the total registration. It was divided among the various parties and factions as follows:

Nacionalista	34,277
Progresista	24,234
Independent	25,120
Immediatista	7,126
Independista	6,179
Catholic	1,192
Philippine Ind. Church.....	91
Scattered	2,005
Rejected	269

The delegates elected are apportioned among parties and factions as follows:

Nacionalista	32
Progresista	16
Independent	20
Immediatista	7
Independista	4
Catholic	1
 Total	 80

While the three *Nacionalista* groups combined have 43 seats, a clear majority in the Assembly, their candidates polled only 47,582 votes out of a total of over 100,000; which shows that a majority of voters cast their ballots for conservative candidates. In several districts the vote was ridiculously small compared to the population on which apportionment was based. In Palawan province only 265 votes were cast, in Mindoro 622, and in Bataan, Surigao and Zambales less than 800; yet each of these

provinces has one delegate. The province where the largest vote was cast is Manila, with 7,206. Election day passed quietly, and was comparatively free from frauds and intimidation.

Originating as I have described, and lacking party discipline to direct its activities, one must predicate speculation as to the future of this Assembly largely upon the character and abilities of the delegates. It is idle to deny that many delegates are rampant and shallow demagogues, who secured election through promises impossible of fulfillment, and who entered the Assembly with no fixed idea separate from their own personal advantage. Serious charges impugning their moral character were officially made against twenty-three members of the first Assembly. It should be remembered, in this connection, that violent personal animosities prevail in the Philippines, and that often such charges are made by private enemies upon slender grounds. Making due allowance for this condition, and bitterness engendered during the recent disturbed periods, there nevertheless is small reason to doubt that many allegations against these men substantially are true. On the other hand, a majority of delegates are of good character and promising ability, and some came to this new work highly recommended by American officials and residents in the islands.

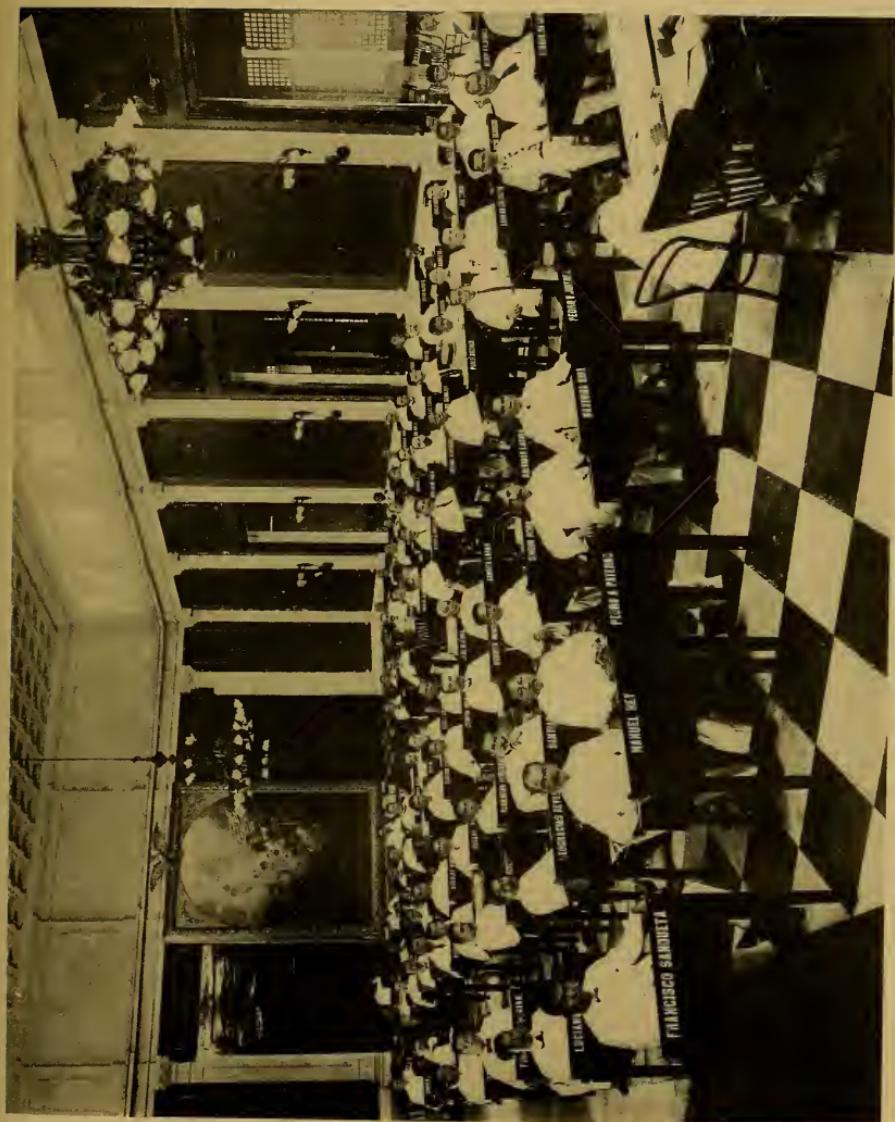
CHAPTER XXXI

THE PHILIPPINE ASSEMBLY — *Concluded*

CONVOCATION OF THE ASSEMBLY — AMERICAN SENTIMENT — POWERS OF THE ASSEMBLY — LIMITATIONS UPON IT — ELECTION OF A SPEAKER — PROTESTED SEATS — ELIMINATION OF PARTY LINES — EXTERNAL INFLUENCES — POWERS OF THE COMMISSION — THE PROVINCIAL ELECTIONS — REACTION FROM RADICALISM — WORK OF THE ASSEMBLY — CHARACTER OF MEASURES PROPOSED — “GRAND STAND PLAYS” — POPULAR INTEREST — SOME ASPECTS OF THIS EXPERIMENT — POSSIBLE COMMERCIAL EFFECTS — SOME COMPARISONS — HYPOTHESIS OF THE AMERICAN POLICY — A GOOD BEGINNING.

THESE are some antecedents of the body which met for the first time at Manila, October 16, 1907. Many and diverse opinions as to what it might do had been formed by persons acquainted with its personnel and the situation with which it must deal. These opinions may be crystallized into two general points of view; that held by a great majority of American and European residents, and that of the Filipinos. Americans, especially the business element, regarded the experiment with uneasiness, even with apprehension. The opinion was general among Americans in the islands, particularly those who have investments there, that granting an Assembly was premature; that the people are not yet prepared for it, and that it is apt to prove a source of disquieting agitation, if not a fomenter of disorder. These misgivings undoubtedly have some apparent warrant in the situation, and

THE FIRST PHILIPPINE ASSEMBLY IN SESSION.



in conclusions which may be drawn from experiences based upon similar conditions elsewhere. Summed up, they rest upon belief in present political incapacity of the Filipino people as a whole, fear that self-government is being extended to them more rapidly than they can absorb and apply its principles, and that these are fundamental errors of policy which may culminate in a disastrous reaction. It is but natural that Filipinos themselves should not share these misgivings or views, although it is well known that some of the more far-sighted among them seriously doubt the expediency of too rapid extension of political autonomy to the islands. It should be said, also, that some Americans who reside there favor the present policy, and expect good results from it.

The Assembly is affected by the limitations of powers conferred upon it, and by checks upon the use of these powers; and in this connection it should be remembered that the Assembly is only part of the Philippine Legislature. The Philippine Commission constitutes a sort of Upper House, which exercises concurrent legislative powers with the Assembly. The Commission is composed of eight members, at present five Americans and three Filipinos. Each American commissioner has executive power and duties, while Filipino members exercise only legislative functions. Until organization of the Assembly, the Commission has legislated for the islands, with approval of the Secretary of War, the President and Congress. The Commission still retains exclusive legislative control over the unorganized, or barbaric provinces.

The legislative body thus comprised has the usual powers and functions of similar bodies in the United States, with a few exceptions. The Governor-General has no veto upon legislation, being a member of the Commission and, consequently, a member of the legislature. Laws

passed by the legislature will stand unless nullified by act of Congress, and operate from the time of their enactment until so nullified or repealed. There is one important limitation upon powers of the legislature, in the matter of appropriations. If the legislature should adjourn without making appropriation for the annual budget, the appropriation for the preceding year is thereby automatically re-enacted. This provision was designed to prevent the Assembly from blocking administration of the Government by refusing to make appropriations for its maintenance.

While the history of the Assembly is as yet too brief to permit definite conclusions concerning it to be drawn, the first session brought into play and to some extent revealed personalities and impulses which direct it; and the exposition of men and measures, as expressed in actual legislative work, which constitutes its record up to date is interesting. The political factors which have influenced the Assembly may be discriminated as external and internal, and these are best considered separately. The external factor is represented by the Commission, and various elements which compose public opinion. The internal factor is confined to the personnel of the lower house itself, together with aspirations and ambitions which it embodies and represents.

Actions of most legislative bodies are circumscribed and directed through parties; and while the Philippine Assembly is not an exception to this general rule, it has so far presented some modifications of it. Although the campaign for election of delegates was conducted in party names, and members took their seats as representatives of these parties, there was little real political cohesion among various groups when the Assembly convened.

Of these so-called parties, only three represented political views definite enough to permit distinction among them. The *Immediatista* and *Independista* parties really are subdivisions of the *Nacionalista* party. These groups were held together by a common expressed desire for complete severance from the United States. The *Progresista*, while regarding independence as a goal in the distance, does not favor present agitation to attain it. The strong *Independent* group is composed of men who before election declined to commit themselves on this proposition. So only two parties had expressed pre-election convictions sufficiently tangible to present a positive policy: The *Nacionalista* and *Progresista*; and the ideals which these represented may be cogently expressed by the customary appellations of Radical and Conservative. The *Nacionalista* groups combined had a majority of seats, but by a narrow margin, which gave the *Independent* group a virtual balance of power.

It was felt that the selection of a speaker would provide an intimation of what might be expected of the Assembly. A prominent *Nacionalista* candidate for speaker was Dominidor Gomez, a sensational demagogue of unsavory reputation, and clever politician and orator; and there is little doubt that when the time for convocation arrived he could have dominated a caucus of the *Nacionalistas*. But there was a strong minority of the *Nacionalista* party which realized that the election of Gomez would discredit the Assembly and impair its prestige in America. With these men unreconciled, the nomination of Gomez by the *Nacionalista* party might have thrown the speakership to a man selected by the *Progresistas* and *Independents*; so the *Nacionalista* factions composed their differences, and compromised upon Sergio Osmeña.

as the caucus nominee. Osmeña was acceptable to the Conservative groups, which did not nominate any candidates, and he was elected by acclamation.

While the hand of the Commission was not openly visible in the election of Osmeña, there is no doubt that it influenced the result, which made it possible for the two branches of the legislature to commence their joint labors harmoniously. Senor Osmeña was cordially received into the higher official circle, and at once became an important personage in insular affairs. Those, and they were many, who had expected that the Assembly would immediately plunge into bickering and sensationalism were disappointed. But though the first reef had been weathered, others remained upon which the infant legislative ship might strike. Fourteen seats, including that of Gomez and those of other prominent radicals, were protested on grounds that were, in some cases, seriously derogatory to the moral character of the delegate in question. A big washing of dirty personal and political linen was anticipated. Here, again, the Assembly disappointed its unfriendly critics by disposing of its protests in a routine way without unnecessary fuss. It is true that this result was accomplished by practically ignoring many of the charges, and brushing others aside on slim technical grounds; but it conclusively demonstrated that the Assembly had both a rudder and a pilot, and that its crew is amenable to discipline. Some very clever log-rolling and factional trading did the business, and effected as neat a bit of political whitewashing as one would care to see. As the session progressed, Speaker Osmeña demonstrated ability coupled with unusual tact, and these qualities have given him great influence over the members.

The first session was not very old when it became evident that party lines, as they were drawn in the election

campaign, rested very lightly upon the delegates. Independence had been a good campaign slogan, but responsibility brought the members face to face with practical political matters which required action that must, if possible, stand the test of criticism. Then it is probable that the body as a whole felt that it is in a sense on trial, and that any excess would promptly react upon it. Speaker Osmeña was elected as a *Nacionalista*, but his course so far reveals him to be conservative as the most pronounced *Progresista*; and the same is true of other *Nacionalistas*. A sense of its own dignity grew upon the Assembly as the session advanced, which operated to check rash action. It has had its political ear to the ground, and is acutely sensitive to external factors which affect it.

The direct external factor, aside from Congress, is the Commission. The American Commissioners exercise executive functions apart from their legislative duties; in fact, the Commission embraces all executive authority of the Insular Government, which is concentrated in the hands of the American members. So the Commission holds a double check upon the Assembly. It is further entrenched by being able to administer Government by itself should the Assembly baulk, and by not being an elective body, subject to direct influence of the electorate. The Commission can manage to wag along after a fashion without the Assembly, but the Assembly cannot accomplish anything important without assent of the Commission in either or both of its dual capacities. The Assembly can pass bills, but they do not become laws until approved by the Commission. If no new laws are passed, the Government is administered under those which exist. So while the Assembly has ample scope for constructive labor, and may retard matters somewhat, it cannot entirely obstruct.

Notwithstanding this limitation upon its power, the Assembly seems to realize that the Filipino people expect it to accomplish something, and that public opinion will condemn it should it fruitlessly fritter away its time. The members know they must stand for reëlection when their terms expire, or retire from the body; and so are anxious to gain favor with the people, and keen to note any shifting of political ideas.

Public opinion among Americans is apt to find expression through the Commission, but Filipino sentiment has set its hopes upon the Assembly, and watches its course with intense interest. This condition lent interest to results of the provincial elections of 1907. While this election was held too soon after the Assembly was convened for it to be regarded as reflecting popular opinion about this body, there had been time for some effects of Mr. Taft's visit and utterances to be felt, and to influence the result. The *Progresistas* gained six governors over the *Nacionalistas* in provinces where there were contests, while the *Nacionalistas* made a gain in only two provinces. In several provinces all candidates were of one party, and the campaign merely was a contest for the offices. In other provinces men who were defeated for the Assembly were elected governor, being able in the absence of their chief political rival to carry the election. In most provinces the election largely turned upon local affairs. The vote was much larger than was cast at the Assembly election; in some provinces it was more than doubled.

On the whole, however, the *Progresistas* were able to claim victory with at least a show of plausibility; and *Progresista* leaders in the Assembly were quick to interpret the result as indicating a popular reaction from radicalism, and a recession of sentiment favoring early

independence. Although *Nacionalista* leaders disputed this interpretation, they were, nevertheless, somewhat impressed, and became less inclined to urge the passage of a resolution demanding independence. Perhaps they were glad of an excuse to drop the issue.

Next to the laws it enacts, which never can be fully estimated until they are tested in practice, the work of any legislative body may best be judged by bills which are introduced, and by influences which promote or obstruct their passage. The first of these standards cannot now be applied to the Philippine Assembly, but we may examine its roster of bills introduced and follow their fate so far as this has developed. The first bill passed by the Assembly was to appropriate 1,000,000 *pesos* for erection of *barrio* schools; the second was to increase the salary of the speaker. Agriculture, taxation and education seemed to be popular questions with the delegates, and bills relating to each of these topics were presented. There was a bill providing for compulsory education, one requiring that native languages be taught in the public schools, one providing for further establishment of manual training classes in the schools, one providing for an agricultural college in each province, one to establish industrial schools, one compelling the teaching of English in the *barrio* schools. The state of agriculture in the islands is evidently on the minds of many delegates, half a dozen bills on this subject having been introduced. One provides for free distribution of agricultural implements under certain conditions, another provides for revocation of land sold on account of failure to pay taxes. There was a bill to abolish the death penalty, one to permit Chinese immigration under restrictions, one to improve insular waterways. Forty-five bills applied to revision and amendment of various laws. Six proposed

amendments to the election law. A bill provides for establishment of the writ of *habeas corpus*.

A study of the roster of bills introduced at the first session of the Assembly, while it cannot completely fathom the personal and political motives working 'neath its surface, demonstrates that it compares quite favorably with measures habitually introduced in American legislative bodies. A majority of bills were directed at some condition in the islands, and evidently spring from a genuine desire to accomplish something practical. Only one silly measure was proposed: a bill providing members of the Assembly with official badges to be worn in public. It had no chance to pass, for the Assembly seems to have the saving grace of humor; or a fear of ridicule. The session was not without its little private jokes. A member one day introduced a bill to modify and make less strict the law of libel. That night he chanced to be one of a party at a game of *burro* which was raided by the police; or it was so reported by one of the daily newspapers in Manila. The indignant assemblyman promptly sued the newspaper for libel; but he had to endure the guying of his associates about his advocacy of freedom of the press.

In view of its, on the whole, excellent record, the first Assembly may be pardoned for making some appeals to the gallery. Its first act was to pass a resolution thanking the President and Congress for its existence. This was a proper and graceful act; but members perfectly well knew that it would make a good impression in the United States. Also in regard to passage of the *barrio* school bill, which was the first law enacted by the Philippine Legislature. The Assembly fully appreciated the sentimental effect its action would have throughout the world, and there is no doubt that this consideration ma-

terially helped the measure to an early passage. The law, however, is a good one; and this action shows that the Assembly is conscious of the existence of an external check upon it in the form of international popular sentiment, which is a salutary influence.

Apart from its legislative efforts, it is interesting to note some effects which the Assembly is having upon the general political situation. I made, late in 1907, an extensive trip about the islands, and was convinced that sentimental effect among the people of the inauguration of an Assembly is very great. At any rate, it has provided a diversion. People, and consequently the politicians, no longer discuss with the same interest what the *Americanos* are doing or intend to do; they talk about the Assembly. What is the Assembly doing; what is the Assembly proposing to do?

"Have you read Queson's speech?"

"Ah, yes; but I do not agree with him. Osmeña's reply was better."

"The land law should be revised."

"Yes; let us write to our Assemblyman." And so throughout the islands. Demagogues who have been clamoring for immediate independence, and assuring the people that the American Government will never grant self-government to the islands, are now deprived of a considerable part of their political stock in trade, and find it necessary to shift to other issues.

This popular sentiment soon reached Manila, and the ears of the delegates. The Assembly knows that the people are watching and criticizing it, that it must now and in the future share the responsibility for success or failure, that *Americanos* can no longer entirely be blamed for whatever goes wrong. Members know that in their district are aspiring politicians who eagerly are seeking an

opportunity to oust them and get their seats. A new element has been injected into the insular political game from the standpoint of the local politician; a new interest is attracting the voter, and diverting him from the illusory abstract idea of independence. Regarded purely as a politic action, in the narrow sense of the term, creation of the Assembly is the cleverest move the United States Government has yet made in the Philippines.

There are those who attribute the good showing that the Assembly has so far made to uncertainty of its members as to its powers and limitations, and their lack of familiarity with roles they suddenly have been called upon to assume, and who predict that good behavior will not long continue. "Wait until about the third session, and you will see," is a remark frequently heard among Americans in the islands. As to this one would hardly care to prophesy. It is, perhaps, too soon to judge the Philippine Assembly and its ultimate value to the islands and people; but already certain tendencies may be observed, and there is no doubt that a good beginning has been made.

To many the problem involved in this experiment is interesting entirely through its political aspects. These are important, perhaps in some respects dominating factors; but those who look to improvement of the economic situation of the islands for a permanent solution of political difficulties, and establishment of stable conditions there, may be more concerned about probable effect upon commercial and industrial interests. Some members of the American and other foreign commercial colonies in the islands fear that action of the Assembly will hinder industrial development by creating a condition likely to deter prospective investors, and to frighten away capital so

badly needed to restore prosperity and open new sources of production.

It seems to me that there is little substantial ground for such apprehension. Correct perspective in such matters is obtained only by comparison. For many years a large amount of American and other foreign capital has been invested in the so-called Latin republics, notably Mexico, which is considered the more stable among them. When all things are considered, I think that the political stability of the Philippines is more secure than is that of Mexico. Mexico now has enjoyed many years of peace and progress, but it is generally conceded that much of the condition which has made it possible is due to the personality of a single man. Mexican political stability is not supported by any direct external authority emanating from a government superior in power, influence, wealth, prestige and administrative experience. This is the situation of the Philippines. Admitting that attempts to govern by republican institutions nations composed of certain races have not been uniformly successful, it is clear that conditions which have caused instability in many cases do not exist in these islands to a dangerous degree. I have several times had opportunity to observe the operation of so-called popular government in the smaller republics of Central and South America, and what I have seen has not imbued me with any great faith in the present political capacity of their inhabitants. Experience of the United States with Cuba is still too recent to permit unrestrained optimism in regard to popular government in the Philippines. But we have not yet fallen into the error there which wrecked our initial policy in Cuba; the mistake of, in order to satisfy an impulsive and ill-considered promise and for the moment to escape duties and responsibilities which

rightly are felt to be onerous, committing government to the unrestricted care of a people without theoretical or practical training in its administration. Nor is there serious reason to believe that the United States is in danger of making this blunder in the Philippines. In his address at the inauguration of the Assembly, William H. Taft told the Filipinos that desire on their part for ultimate independence of the islands is not at the present time incompatible with loyalty to the Government of the United States; but he warned them that realization of such ambition must wait upon acquisition of fitness to guarantee its preservation if granted. This statement, and similar utterances of Mr. Taft in Japan and China, in which desire or intention of America to sell or otherwise dispose of the islands was definitely repudiated, should set such fears at rest.

Recognizing that the United States intends to retain substantial sovereignty over the Philippines for an indefinite period, and never voluntarily to relinquish it except to a Filipino people fully prepared for autonomy, it is conceivable that granting legislative power to them may improve the situation, and conditions which will attend foreign investments there. It is too soon to predict complete practical success for the Assembly; but even if it should fail, in the beginning, to rise to the opportunity which Congress has given it, it does not necessarily follow that disastrous consequences will ensue. The personnel of the first Assembly leaves much to be desired in some quarters; but the more disreputable among the delegates is no worse than men who frequently are elected to legislatures in America, or than some who have sat in the Congress of the United States. The Assembly may enact some unwise, perhaps some vicious laws; but are American statutes de-

void of vicious and unwise laws? Anything which contributes to the satisfaction and content of the Filipinos, and which is not actually pandering to foolish impulses and ambitions, justly may be regarded as having a tendency to promote better conditions in the islands, and to lead toward the goal of greater political stability. In this sense, then, convocation of an Assembly may have a beneficial effect. This hypothesis seems as reasonable as any advanced by those who incline to a pessimistic view. And it should be remembered that if the Assembly eventually proves a failure, a source of senseless agitation, and exercises detrimental influence upon progress toward better conditions, the same power which created it can dissolve it.

One hesitates to touch what appears now to be a healing canker of dissension among Americans in regard to our fundamental policy toward these islands and their inhabitants; but one may hope that efforts of so-called anti-Imperialists, when expressed in direct attempts to excite Filipinos to efforts to gain immediate independence, as is now being done by their agents in the islands, will be abandoned. I am unable to see how any good may come from this agitation. The altruistic motives which prompt it are not appreciated at their true value by the people who represent the object of them; it serves to excite desires and ambitions which at present are unattainable, and it embarrasses the Government of the United States in what any candid observer will concede to be a sincere and unselfish attempt to uplift these people. In my opinion, he who advocates immediate independence for the Philippines or complete political autonomy for the Filipino people is as great an enemy to present progress in these islands as he who would grant them no voice in the management of their own

affairs. In most things it is the happy medium which brings more satisfactory results, and this is what the present policy of the United States is aiming to secure.

The Philippine Assembly may fall short of the expectations of those who now regard it and its objects with favor; it may even justify the poorest expectations; but one must lack a soul which can sympathize with aspirations of common humanity who would wish to see it fail. Considering the best of it, and the worst of it, in so far as these have yet appeared, it nevertheless deserves the best wishes of those who believe in republican form of government, and who hope for a prosperous future for these islands.

CHAPTER XXXII

VALUE OF THE PHILIPPINES

ANOMALOUS POSITION OF THE ISLANDS — RELATION OF THE POLITICAL PROBLEM TO THE ECONOMIC SITUATION — MENTAL ATTITUDE OF AMERICANS TOWARD THE ISLANDS — POSSIBILITIES FOR DEVELOPMENT — SOURCE OF SUPPLY FOR AMERICA — HAWAII AND PORTO RICO — SOME COMPARISONS — AMERICA'S ECONOMIC ATTITUDE — REASONS FOR THIS — OBSTRUCTIONISTS IN AMERICA — INJUSTICE TO THE ISLANDS — THE REFUSAL TO GRANT FREE TRADE — OPPOSITION IN THE PHILIPPINES — POLITICAL AND ECONOMIC — THE QUESTION OF REVENUE — EXAMPLE OF PORTO RICO — NATURAL RESOURCES — CAPITAL NEEDED — THE ISLANDS NOT A "BURDEN."

ALTHOUGH the Philippines really are part of the United States and entirely subject to its sovereignty, there still is disposition in some quarters to regard them as a separate entity, to be played with, patted on the back or neglected according to the whim of Congress. Yet so long as we exercise control over their destiny, their troubles and difficulties will be ours, and any material prosperity they may enjoy will accrue to the benefit of the nation. Conditions in the islands, and possibilities for their development, are therefore entitled to equal consideration with other parts of the national domain, and should even be the especial concern of the Government.

Even cursory investigation of conditions in the Philippines reveals that a great factor of what is called the political problem can be traced to the economic situation. Here, as elsewhere, political unrest rarely becomes

acute except during commercial and industrial depression. Practically speaking, Congress holds the prosperity of the islands in the hollow of its hand; which means that it has the power to strike, by peaceful means, at political forces which complicate the work our Government is performing there, and to render them to a great degree ineffective to retard or embarrass it.

Most economic questions have several bearings; and relation of the Philippines to the future of the United States should be considered as to possible effects both upon the islands and upon the homeland. Many people in America have not yet become accustomed to regard the Philippines as part of the nation, and while they would be glad to learn of their prosperity, they feel about it just as if it was Venezuela; that is, not a matter about which they especially need to concern themselves. This is a demoralizing and erroneous conception of our national responsibility to the islands and their inhabitants, and it probably will not entirely disappear until it is fully realized that advancement in the Philippines means corresponding advance in our material prosperity at home, and that depression in the islands means a positive burden upon our national resources.

In considering some possible effects of development of natural resources of the Philippines upon trade and industry of the United States, some interesting matters at once suggest themselves. A report of the Department of Commerce and Labor shows that in 1906 more than \$500,000,000.00 worth of tropical and semi-tropical products were imported into the United States. A majority of these products cannot successfully be produced in the United States, or when climatic conditions will permit their production, economic conditions are more favorable to production of other crops. Tropical and semi-tropical

products are essential to the comfort and convenience of the American people, and include coffee, sugar, tea, cacao, copra, rubber, hemp, jute, tobacco, fruits, nuts, spices, gums, dye woods, hard woods, and many other articles used in manufacturing, or daily consumed at American dinner tables. In exchange for these articles the United States exports products, chiefly manufactures, to the extent that they are consumed in countries whence such supplies are drawn, and in proportion to the extent to which American products can compete in those countries with similar products from other manufacturing nations. In many of these countries the United States is now at commercial disadvantage in that nations which compete with the products it might sell there enjoy more favorable terms of entry, or natural advantages which it never may be able to overcome. In regard to countries which produce tropical and semi-tropical products cheaply and in large quantities, the general proposition may be laid down that the present area of the United States proper never economically can compete with those countries in production of such articles. It also is generally true that natural conditions in those countries are not favorable to the profitable production of food-stuffs and manufactured articles stable in the world's trade, such as are the basis of America's industrial prosperity.

With these facts in mind, it is interesting to consider the possible relation of the Philippines to the economic and commercial problem here presented. These islands are almost entirely located in the tropics. They produce now in some degree, and are capable of producing large quantities of almost all tropical and semi-tropical products which are consumed in the United States. Some brief comparisons may afford an idea of the field for development along this line which these islands pre-

sent. Hawaii exported in 1906 \$36,000,000.00 worth of products. The area of the Philippines is over eighteen times that of Hawaii, and the population fifty times as great; yet in the same year the Philippines exported less than \$34,000,000.00 of products. Porto Rico, with one-fortieth the area of the Philippines, now produces nearly three-fourths as much. Since the United States annexed Porto Rico, and gave products of that island a free market in the States, its production of tropical products has more than doubled. Since American capital and methods were introduced into Hawaii, about thirty years ago, production in those islands has increased thirty fold. Both Hawaii and Porto Rico are now part of the United States in fact as well as in name; yet with all their progress they are able to supply the States only with one-tenth of tropical and semi-tropical products which they use.

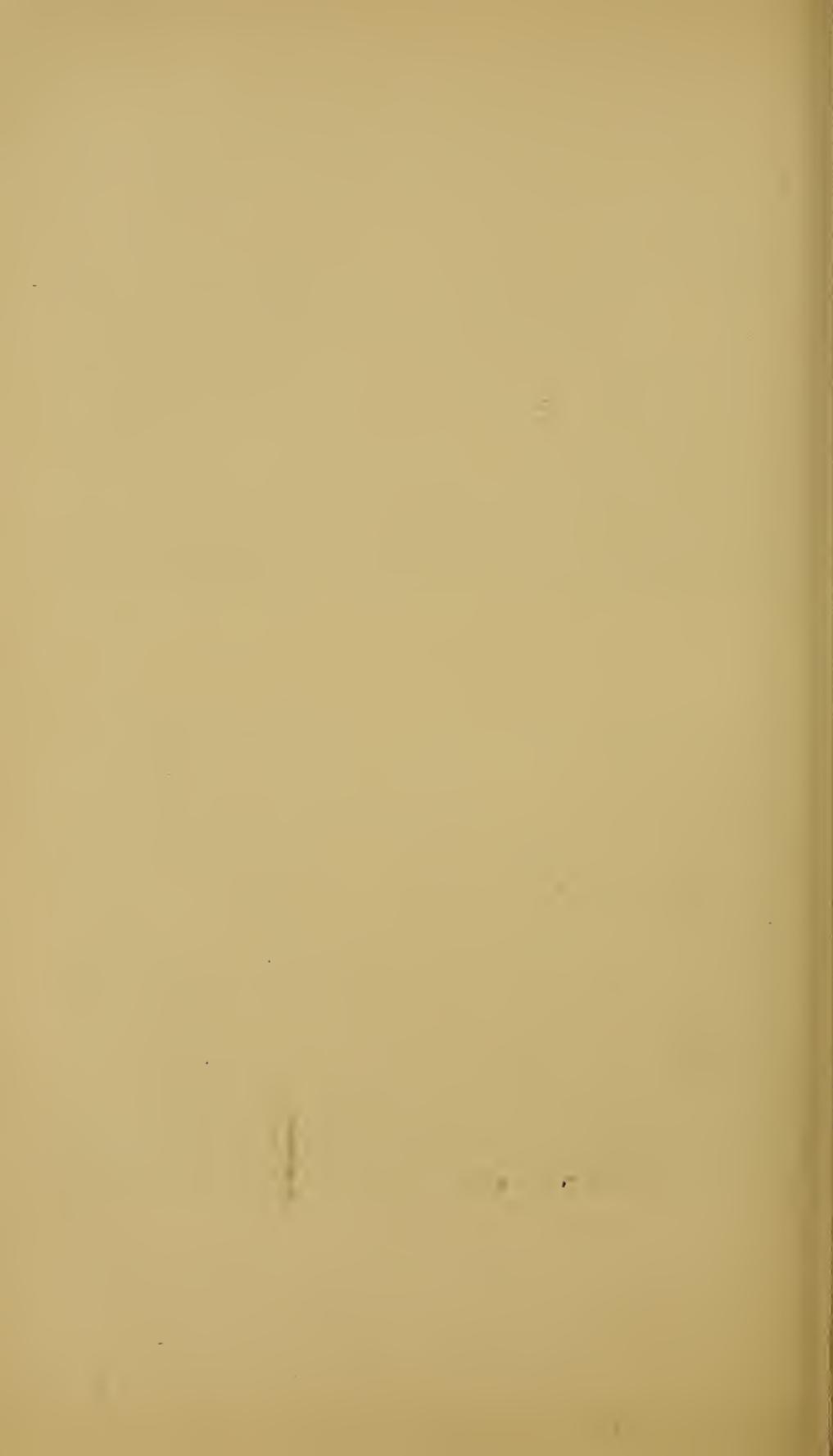
The proposition has another bearing. Since modification of the tariff upon Hawaiian products imported into the United States, in 1875, the sale of American products in the islands has been multiplied by thirty, or has increased in almost exactly the same ratio as have products of the islands in the same period. The United States exports ten times as much to Porto Rico as was done in years which preceded annexation, now sending to the island 88 per cent. of its total imports. Since the Philippines were acquired by the United States, or since normal conditions were partially restored by suppression of the insurrection, in 1901, the total foreign trade of the islands gradually has crawled to \$59,000,000.00, as against \$54,000,000.00 in the last year of the Spanish regime; also a period, by the way, of internal unrest and disorder. This practically is no progress. In 1906 only 17 per cent. of Philippine imports came from the United States. At the same per capita rate of consumption as Porto Rico,



NEW PROVINCIAL MODEL SCHOOL, PHILIPPINES.



TYPICAL MUNICIPAL BUILDING IN THE PROVINCES.



the Philippines would have imported in 1906 from the United States about \$157,000,000.00 worth of merchandise, as against \$4,477,886.00 which was consumed. The area, soil, climate and population of the Philippines warrant assumption that the islands might in time produce, with its other tropical possessions, practically all tropical and semi-tropical products which the United States will require. This would mean corresponding increase in the purchasing power of the Filipino people. Having political control of the islands means that the United States can regulate circumstances under which merchandise may be imported, and easily can establish conditions favorable to American products in comparison with competing products originating in other manufacturing nations.

Viewed as a step toward establishment of substantial economic independence, by creating under a central government an almost complete productive cycle, such a scheme might well engage the attention of American statesmen. As a business proposition, is not an annual trade of from \$600,000,000.00 to \$800,000,000.00 with the Philippines worth considering? Such possibilities are included in the future of the islands. Why, then, does the United States pursue a fiscal policy toward the Philippines which lends small active encouragement to development, and which in some matters positively hinders it?

The answer is that certain influences have been exerted to obstruct progress toward improvement of the economic situation of the islands. These influences are various and somewhat complex; but they fall into groups which makes it possible to identify and analyze them. Of these groups, undoubtedly the more active and potent is composed of protected interests in the United States, which profess to see danger to some industries in America if the tariff wall be opened to admit Philippine products. The

economic basis for arguments presented by this group is so slight that it hardly could have prevented action by Congress had not it been able to obscure real issues by injecting into the discussion a lot of confusing and more or less irrelevant matters. To this end a campaign of misrepresentation was waged. The islands have been represented as a tremendous financial burden upon the nation; difficulties of the political situation were grossly exaggerated; and all the incongruous elements which, for many and diverse reasons, oppose our policy there, were rallied into a common army of obstruction, which so far has been able to prevent remedial legislation by Congress.

Those first entrusted with the administration of these islands quickly realized that their acquisition by the United States Government must affect Philippine commerce and industry, through alteration of international relations and consequent modification of conditions which apply to foreign trade. It was the policy of Spain to exploit the islands, as far as was possible, for advantage of the mother country; certain industries and production were stimulated, others discouraged, with a view to benefit Spain rather than the islands. It was evident that alteration of the system, by depriving Philippine products of advantageous markets in some quarters, would compel them to seek markets elsewhere. This caused, in the beginning, no uneasiness; for what mattered the loss of a narrow and restricted market if entry into the immeasurably greater one of the United States was gained thereby?

When the need for some relief was urged upon Congress, a bone was thrown to the islands by conceding a reduction of 25 per cent. of the Dingley schedules to Philippine products entering the United States. It soon became evident, however, that this concession was of slight benefit; and when W. H. Taft became Secretary of War

he urged Congress to grant free trade between the Philippines and the States, as was done with Hawaii and Porto Rico. A bill was introduced, granting further reduction of 50 per cent. of the Dingley tariff until 1909, when free trade should become operative. This measure passed the House of Representatives by a large majority, but antagonistic interests succeeded in having it killed in the Senate. Free admission of sugar was the real stumbling block, and the character of opposition is indicated by its attitude in this matter. The sugar interests professed to be willing to admit Philippine sugar free if annual importation be limited to 400,000 tons. As the entire output of the islands cannot reach this figure for probably twenty years, even under favorable conditions, it is evident that alleged peril to American industry from this source is more imaginary than real.

Although effective opposition to legislation to benefit the Philippines centers in the United States, it receives considerable indirect support from elements in the islands. This support springs from two sources — political and economic. Political opposition comes from those advocates of Philippine independence who fear that if the islands ever become too closely attached to the United States, by ties of commercial and industrial reciprocity, hope for a Philippine Republic will vanish. There is excellent ground for this anticipation. Increased prosperity, closer relations with America, introduction of capital, and forces brought into play by such conditions undoubtedly will be destructive to sentiment for severance by altering circumstances which now give such arguments plausibility in both countries. The Filipino politician who would prefer a poor and feeble Philippine Republic to a secure and prosperous dependency of the United States is ubiquitous in the islands, just as Americans who oppose

broader national interests for personal gain are plentiful at home.

Nor do such men, some of whom are sincere and patriotic, lack present arguments. About two-thirds of insular revenue is now secured through the custom house. It is pointed out that with free trade with the United States the islands will lose revenue on articles now imported from America, and admission of American products free also will tend to displace other foreign products in the islands, and thus cause further loss of revenue. It is estimated that free trade with the United States may cause a loss of customs revenue to the Philippine Government of three-fourths of present customs receipts. If this should prove true, the deficit must be met by creation of other revenues, and this idea frightens Filipino politicians, and causes uneasiness to the Commission. Human experience has demonstrated that while indirect taxation is wasteful, it is the easiest way to get money out of people. A serious loss of revenue from the customs might, so many persons in the islands fear, compel the Insular Government to resort to direct taxation; which some predict cannot be done in the present state of the islands without exciting internal disorder.

While these views are not without reason, a study of the insular budget, and the situation of the islands, causes apprehension to recede. When the present internal revenue law was put into effect it was freely predicted, especially by prominent Filipinos, that it would cause disaster to Philippine industries, and probably incite resistance among the people. These anticipations were not realized. There were slight disorders, due to mistaken agitation; but these have entirely passed, while industries which objected to the law have felt no ill effects. It is reasonably certain that insular revenue can be materially increased

from other sources should customs receipts fall off. In respect to this question, there is almost an exact parallel in the case of Porto Rico. In establishing free trade between the United States and that island, practically the same situation was encountered. The result has been that while trade between the island and America has greatly increased, and American products now nearly monopolize the Porto Rican market, the customs receipts are now 70 per cent. of what they were before the change was made, and are steadily increasing. The reason for this is quite clear. Many articles brought from Europe and other countries are liked and desired by the people on account of their quality and character, and with increasing prosperity they have continued to buy such articles for their gratification, while at the same time buying American products which formerly they had not used at all. There is reason to think that such a result would follow free trade with the Philippines.

An argument one hears in the islands is that free importation of American products like, let us say, agricultural machinery needed to develop natural resources of the country, will not have the effect of cheapening such articles to Philippine consumers, and may add to cost of production. Some important articles of American origin now consumed in the islands, or for which a demand may be created, are known at home as "trust" products, and have protection by the present tariff, which enables them to get a higher price in the home market than can be obtained in other countries. It is commercial custom in the Philippines, as in many countries, for American manufacturers of these products to grant rebates to their agents equal to the insular tariff they must pay. Commercial firms which import such American products believe that if the present insular tariff on these goods is removed, manu-

facturers, having then a "home market" in the Philippines, will no longer grant rebates; with result that instead of getting goods cheaper, the Filipino consumer will pay even more than he now does, beside losing revenue. Some effects of free trade with America thus might be detrimental to the islands.

In the multiplicity of interests involved, and the widely divergent angles from which the subject is viewed, is ample ground for difference of opinion; and it is not strange that advocates of "justice for the Philippines" should be somewhat divided in their councils, which operates to the advantage of obstructionists by obscuring the vital issues involved. The situation really presents no extraordinary complexities when the major elements are considered. And these stand out above turmoil created by the clash of petty interests and narrow views.

The geographical location of these islands, their soil, climate and natural resources definitely indicate that development must fundamentally be based upon agriculture. Regarding natural advantages found in the islands for the production of tropical and sub-tropical crops, one finds it necessary to exercise repression in describing them for fear of being suspected of exaggeration. Here, indeed, nature has lavished her favors. No complete computation of agricultural statistics has been made, but experts estimate that 80 per cent. of the total area of the islands can be made productive. The greater part of this beautiful region has not been touched. It requires only the intelligently directed effort of man to contribute its quota to the sum of human wealth. Under modern conditions, two main factors are essential to such effort: capital and labor. The state of labor in the islands is a matter which deserves notice; and it may be said that the present supply is ample for a considerable development. Conditions

which deter the introduction of capital are the chief present economic handicap to the islands.

While many minor conditions contribute their influence to discourage capital from entering the Philippines, there is a central cause for its present timidity. This is uncertainty about the present and future political status of the islands. Mr. Taft's definite declaration, in October, 1907, that the Washington administration has no idea of letting go of the islands helps to set at rest one cause for uneasiness; but much remains to be done before capital will find there an inviting field for investment. People who, recognizing the remarkable natural opportunities afforded, would like to invest in agricultural or other production in the Philippines want first to be assured of stability of the general conditions which will affect their investments. If they desire to open hemp plantations, or to invest in rubber land, they want to feel reasonable assurance of the political stability of the country, and also that economic conditions surrounding production and marketing of their products will not suddenly be changed. In other words, capital is willing to enter the Philippines on the merits of natural advantages offered; but in estimating chances of profit or loss it wants to know where the islands stand, at least for a definite period; whether they are in or out of the United States; whether the same general conditions which attend development in America also may be expected to apply there, or, if not, what conditions will apply. Given this assurance, there is no doubt that ample capital for development of the islands can be secured.

Nor will capital be so hard to satisfy in this respect as some seem to anticipate. Several factors bear upon the proposition: the attitude of the Insular Government and the policy of Congress being essential ones. In the end,

the policy of the Insular administration must follow direction of the President and Congress, but it always will greatly influence the course of events, and this gives importance to its attitude toward capital which seeks investment in the islands. Our nation is committed to a policy which substantially will conserve the interests of the inhabitants, and protect them against external efforts to exploit them for advantage of foreigners, which frequently is a result of similar relations between a great power and weak, alien peoples and possessions. This has caused rejection by the Commission of some ambitious projects designed to attract capital on the ground that they involved a sacrifice of interests of the natives. The spirit which prompts this policy is excellent, and the policy is a good one; but if the islands are to be developed, which will increase general prosperity, the idea of protecting interests of the natives should not be permitted to operate to exclude legitimate enterprises.

To draw foreign capital to the islands it is necessary to make investments there more attractive than now can be found elsewhere. This may be done through any or all of the circumstances which affect investments: political stability, security, and the profits promised. Where risk is believed to be greater, capital demands greater prospective profits. In the beginning, it probably will be necessary to make the Philippines attractive to capital by offering greater opportunity for profit in comparison to countries of similar natural advantages; for, even with favorable action by Congress, all doubts concerning the stability of other factors will not immediately vanish. Here is a chance for exercise of wisdom and discretion by men who administer Insular affairs. One is glad to note that present prospects are, on the whole, distinctly favorable.

Whether these islands shall progress, stand still or drift

backward depends upon Congress. A reduced tariff bill, with amendments designed to meet views of the more reasonable opposition, should be passed. Such a measure, while not to be regarded as a panacea, promises substantial benefit, and will go far to clarify the economic status of the islands. It also would be wise for Congress to amend the law permitting the establishment of an agricultural bank so as to make the proposition more attractive to capital. It has been pretty conclusively demonstrated that American capital will not take up the project in its present shape, and the islands are suffering for the relief which such an institution will afford. The land laws, which limit the area that can be acquired by a single entity, discourage enterprises which require large tracts of land, without preventing innumerable petty evasions of its letter and spirit, and should be amended.

So we find that action by Congress on a few matters will give substantial relief to the Philippines, and set in motion forces which will in time, perhaps quite soon, place the islands firmly in the path to prosperity. If this happens, Americans will hear less about their being a "burden" and "problem." These words have been sadly overworked in this connection. Observation of conditions there has convinced me that when one finds a person who always refers to the Philippines as a "burden" or "problem," one only has to probe a little to discover in that person one who is laboring, directly or indirectly, to make the islands deserve these appellations. Let Congress act intelligently and fairly, and in the future we will hear little about the Philippines being either a burden or a problem.

CHAPTER XXXIII

VALUE OF THE PHILIPPINES — *Continued*

STATE OF LABOR IN THE ISLANDS — FALLACIES REGARDING FILIPINOS — SHALLOW CONCLUSIONS — EARLY AMERICAN EXPERIENCES — EXPECTATION AND FULFILLMENT — FALSE STANDARDS — ERRONEOUS IDEAS — FILIPINO PECULIARITIES — KIND OF LABOR NEEDED — EXPERIENCE OF LARGE AMERICAN FIRMS — BENDING AMERICAN METHODS TO THE FILIPINO — RESULTS VERSUS METHODS — THE PHILIPPINE RAILWAYS — EXPERIENCE IN THE VISAYAS — ORGANIZATION AND METHOD — NATIVE PREJUDICES RESPECTED — ECONOMIC RESULTS OF THIS POLICY — GRADUAL IMPROVEMENT — MECHANICAL APTITUDE OF THE NATIVES — WAGES IN THE ISLANDS — FILIPINOS AMENABLE TO ENVIRONMENT.

SPEAKING of some effects of American policy in the Philippines, Senor Antonio Regidor, who returned from exile to be present at the opening of the Assembly in 1907, said:

“Teach our people the dignity of labor. Teach them how to work.”

That the venerable Filipino patriot touched a fundamental factor in progress in the islands cannot reasonably be disputed. “The trouble with the Philippines is that the natives won’t work,” has been repeated so often that it almost has hardened into a proverb; and probably none of detrimental reports which have been circulated about these islands has had more effect in hampering their development, by discouraging investment of capital. But is it

true that satisfactory labor cannot be had in the Philippines?

The answer to this question turns upon several matters, and invites examination of conditions in which this idea originated, and elements which apply to it. Many Americans who reside in the islands believe the theory thus advanced. Inquiry reveals, however, that much of such comment is based upon superficial knowledge of the facts, and slight consideration of them. One frequently hears American and foreign residents of the islands, especially in Manila, inveigh against the ignorance and carelessness of native servants and employes, as examples of general Filipino incompetency. But one hears similar animadversions anent the servant problem in the United States; yet no one familiar with our country would think of concluding therefrom that Americans are destitute of industrial capacity.

So to estimate the industrial capability of Filipinos it is necessary to inquire of persons who have employed them on a large scale, through a considerable period of time, and who are able, from previous experience with similar labor in other countries, to compare results. These results turn upon various elements; but judgments derived from them depend upon comparative efficiency, and the economic measure of efficiency is the equation between work accomplished and its cost.

It may be conceded that early experience with native labor in the Philippines was attended by unsatisfactory results to American employers. Satisfaction in such cases is measured by what an employer gets in comparison with what he expects, and disproportion may be caused by variation of either or both factors. An employe may give too little, and an employer may expect too much. In early days of American occupation, the American employer

of Filipino labor unconsciously measured it by American standards of quality, as expressed in the output of human units, not then having become familiar enough with industrial environment of the East to reckon the real worth of labor as expressed in cost of production. Moreover, the average American employer, imbued with a sense of superiority which was a result of political conditions, was intolerant of native methods, and usually insisted on having things done as is customary in the United States. Thus forced along unfamiliar channels, Filipino labor was not able to meet expectations. Its efficiency was measured by a false standard, and, moreover, suffered actual depreciation from being badly directed. Thus, in the beginning, most Americans not only expected too much of Filipino labor, but actually helped to diminish its customary efficiency by imposing upon it unfamiliar methods and implements, and by not understanding or refusing to consider its sociological peculiarities.

Several matters contributed to start American management of Filipino labor off wrongly. One was our idea that we can hustle the East. In the beginning American theory for rapid development of the islands was quickly to introduce American methods. This theory is excellent in itself, but it was destined to suffer reverses in the process of practical application. Industrial methods anywhere are interdependable, and are rendered efficient or inefficient by conditions and circumstances which circumscribe them. This economic rule applies in the Philippines as elsewhere; but in introducing American industrial methods there it was common, one may say usual to fail to consider the whole combination of collateral conditions which must affect their net result. Americans continually made mistakes of this character, by failing to consider some important element of cost, by introducing

expensive machinery which could not economically be used; and then blamed their failures upon Filipinos, and upon the native laborer in particular, when they often were due to lack of foresight and judgment in themselves.

It cannot reasonably be denied that Filipinos, as workers, have peculiarities which are excessively irritating to the average American employer, especially to one just from the United States. Their indolence, their disposition to "lay off," their fondness for *fiestas*, and their slight physique have become familiar to people in the United States through constant iteration. Nature plays a part in shaping this disposition. The picture of a Filipino sleeping under a tree surrounded by edibles, which he only has to pluck to satisfy his needs, has come to represent to many the native conception of work. This picture is composed of partial truths, and the idea that the average Filipino cannot be induced to work has been refuted during the last few years.

In considering the question of labor in the Philippines as an economic factor, the kind of labor needed to develop resources of the islands must be kept in mind. While there now are incidental manufacturing enterprises, and others will grow as concomitants of increasing production, agriculture always will be the chief industry of the islands; and agriculture requires a large proportion of unskilled labor. Indeed, it seems that now and in the future progress of the islands requires a large amount of dependable unskilled labor rather than skilled labor; and in this connection some results already secured with unskilled labor under American management are interesting and significant.

The more extensive experience with native unskilled labor in the islands has been that of large contracting companies which operate there. There are several of these;

and the more important are J. G. White & Company, and the Atlantic, Gulf & Pacific Company. Both these firms have undertaken large construction works in the Philippines; the former the Manila Street Railways, the Philippine Railways, the Cebu harbor improvements and other contracts; the latter the Manila port improvements, the *Luneta* extension and other things. All these works have been carried on with native labor under American supervision, involving the simultaneous employment of many thousands of Filipinos; and the estimate which their managers have formed of the Filipino as a worker is based upon actual experience with him under a variety of conditions, and extending over a period of several years.

This experience has not been free from disagreeable incidents. Notwithstanding that these companies have at their command the best professional talent, and came to these islands fortified with ample experience in large undertakings elsewhere, they found it necessary gradually to re-shape their methods to suit conditions here. This decision was reached only after the men on the job had tried to introduce innovations, with unsatisfactory results. Their experience has been a process of experiments in trying to get the best results from native labor, a succession of compromises between so-called American methods and conditions peculiar to this country and people. With results rather than methods always in mind, they are evolving a system which imposes upon Filipinos as much of American method as they can assimilate and employ to advantage, while permitting them to follow their natural bent in others. In short, it has been found easier in many matters to adapt the method to Filipino laborers than to bend them to it.

Construction of the Philippine Railways probably provides the best available illustration of what may be done

with native labor. These railways lie entirely in the Visayas. In respect to such undertakings at Manila, which is the industrial center of the islands, and where such industrial capability as the people possess has reached its highest state of development, it is contended that results obtained there are above the average, and that experiments in other places would be less favorable. In the Visayas constructors of the Philippine Railways are compelled to draw their labor almost exclusively from the agricultural element of the community, and results obtained there may fairly be assumed to represent an average capable of being sustained throughout the islands.

In beginning railway construction in the Visayas, J. G. White & Company had the advantage of its experience in Luzon. Conditions in Cebu, Panay, and Negros generally represent the state of labor throughout the islands. These islands are almost exclusively agricultural, and labor for construction work had to be drawn from plantation hands and small farmers. Most of these are independent in the sense that they can exist without regular employment and, consequently, have been in the habit of working only when they feel like it. Many persons familiar with conditions predicted that J. G. White & Company would not be able to get enough labor to carry on the work satisfactorily. Certain difficulties could be definitely foreseen. The work involved use of unfamiliar tools, and could only be carried on by organization such as the natives had no previous experience with.

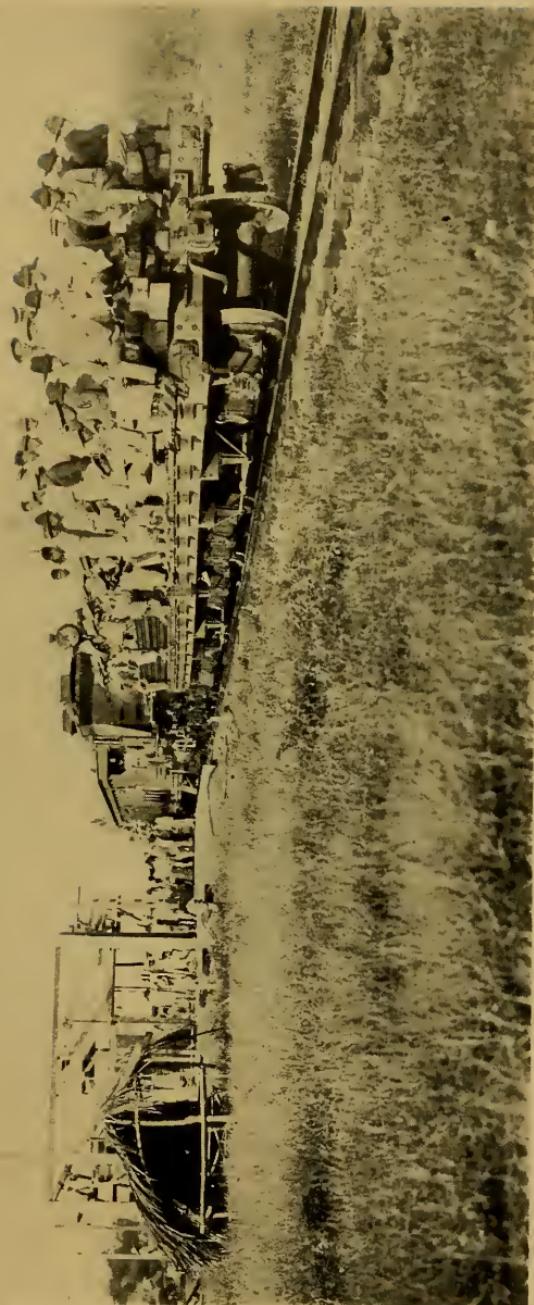
One evil attendant upon employment of labor in the Philippines is the existence of a counterpart of the padrone system in the *capitas*. A *capitas* is petty boss of a gang of fifteen to twenty men, who manages it, arranges about wages and is responsible for its work. When American contracting firms first came to the islands

they tried to eliminate the *capitas*, but results were so unsatisfactory that the effort was abandoned, and reform limited to curtailing the worse evils of the system. J. G. White & Company's construction work in the Visayas is organized in camps, each under the supervision of a foreign foreman. The camps are divided into divisions of from forty to sixty men, each under a foreign sub-foreman; and divisions are composed of several gangs each under its own *capitas*. By this system more than 4,000 natives have worked simultaneously and without delay or friction in Cebu, where railway construction is further advanced.

In thus creating an efficient working force out of absolutely raw material, the construction managers laid the foundation for success upon these propositions: fair wages, and protection of the laborer from being "squeezed" out of part of his pay; good and sufficient food; non-interference with native customs and habits except when absolutely unavoidable, and then with tact and discretion; using only native bosses in directing common laborers while at work; endeavor to make the men understand that the company is concerned about their welfare and is interested in improving their condition.

The economic results of this policy, so far as they have developed, are extremely interesting. A principal factor in railway construction is the moving of great quantities of dirt, involving the use of excavating tools and means of transport. At first baskets were used to carry dirt in the Visayas; then it was decided to introduce the wheelbarrow, an implement practically unknown to Filipinos before the advent of Americans. At first it was found that men were unable to carry more than half a load. This was partly due to awkwardness and partly to lack of strength in the arms and shoulders. But the managers

BUILDING RAILWAYS IN CEBU.



persisted, gradually increasing the loads, until now the men haul full loads without difficulty. A disposition to get tired easily and loaf in their work, which formerly was such an aggravating habit of common Filipino laborers, also is being counteracted. Better nourishment is partly responsible for this improvement, due to good food and sanitation, and supervision has had an influence. No foreign foreman is permitted to give an order to or hustle a native during working hours. Necessary orders are transmitted to the men through the native *capitas*, and if a foreman notices that a workman loafes habitually, the *capitas* quietly is instructed to replace him with another man. In this way frictions between foreign overseers and natives, which formerly were so numerous and often were the cause of serious labor troubles, are now almost entirely prevented. An American labor overseer who believes in the rough methods of maintaining discipline which are often used at home is useless in the Philippines, and is not wanted. Large employers of labor in the islands will now discharge a foreign superintendent or foreman who shows a disposition to be arrogant and truculent with natives. To strike a native workman means instant discharge. Men who direct this work have come to realize that patience and consideration will go much further in handling native labor than rough displays of authority, and a foreign foreman or superintendent who cannot adapt his conduct to this theory is useless. This policy does not accord with some so-called American ideas of dealing with Filipinos, but it is producing good economic results.

Under this treatment the native laborer is undergoing an evolution. A man who formerly would work an average of perhaps three days in a week, now will work five or six days. Where he used to knock off on every little feast

day, he now lets many of them pass, and sticks to his job. This change of disposition is significant, for it is an indication that habits which have in the past been detrimental to industrial progress are not so deeply encrusted as was thought, but will yield to tactful application of the same forces that elsewhere stimulate humanity to new efforts. In early days of American experiments with Filipino common labor, if a workman quit in the middle of the week part of his pay was withheld, and he was refused employment when he applied again. This system is feasible where it is understood, but Filipinos do not understand it, and its application caused such dissatisfaction that it was necessary to modify it. In railway work the men are paid by the day, and are paid in full whether they work six days or one day in a week.

If Pedro wants to attend a *fiesta* or go fishing he does so, and when he again reports he is put to work without comment if there is a vacancy, and his desertion is not scored against him so far as he can tell. But José is Pedro's neighbor, and José is of a more industrious habit. He works regularly. In time José's wife has a better gown than Pedro's wife; his children wear shoes and stockings, and have some other little luxuries which Pedro's wife and children cannot afford. Some day when Pedro returns to work after a brief vacation without leave, he finds his place on the gang taken by a new man. Is he discharged? He would have been five years ago; but now he is not. He is told to come around, and when there is a vacancy he will be put to work again. This occurs a few times; Pedro's wife begins to remark upon her position as compared to that of the wife of José, who always works. Pedro does not find loafing so satisfactory as it used to be; he begins to regard his job as a good thing, and thinks twice before he runs the risk of being crowded

out of it. The influence of these adapted American methods is being strongly felt wherever they have been introduced in the Philippines, and they are planting the seed which may, aided by other educational forces, grow into tangible realization of Senor Regidor's exhortation.

From the standpoint of the employer, results have been equally satisfactory. Notwithstanding that to secure labor some American firms were compelled to pay higher wages than was usual, amounting to an average increase of 50 per cent., many kinds of work are now done much more cheaply than is possible in the United States, and very much more cheaply than white labor can do the work in the Philippines. In railway construction, for instance, a white laborer in America will move half as much more dirt in a day than a Filipino does, and he is paid four to five times as much to do it. The Filipino as a workman has serious defects, but most of them readily yield to tactful pressure, and the stimulating influence of environment. The Manila & Dagupan Railway, a British corporation, and the Manila street car system conclusively have demonstrated that natives make fairly competent operators. They have great imitative mechanical ingenuity, but seem to lack industrial initiative. In the field of skilled labor, they show good progress in many branches. An old-time Spanish Friar once said that the brains of Filipinos are in their fingers. An idea of what can be accomplished by native skilled labor may be had by a visit to the printing plant of the Insular Government in Manila, where all kinds of advanced printing and engraving is done by Filipinos under American direction. Several hundred Filipino youths now attend the School of Arts and Trades in Manila, and industrial work, already an important branch in the insular school system, is being extended.

I regard it as an encouraging sign that of the many Americans who employ Filipinos on a large scale whom I questioned about their capacity, not one gave a pessimistic account of them. On the contrary, men who from actual experience should know most about the proposition believe that a fair degree of industrial efficiency and reliability in Filipinos can be developed by intelligent and painstaking effort. Richard Laffan, E. J. Beard, John Leech, and their associates in pioneer construction and mechanical operating work in the islands, may in time be credited with having laid the foundation for reorganization of the industrial system of the islands.

It is interesting to note some incidental effects of American industrial activity in the islands. One hears complaint among Filipino planters about the scarcity of labor. When analyzed, however, it appears that what is called scarcity really means that labor is becoming disinclined to accept the terms offered. In the past the *tao* groaned under the oppressions of *caciqueism*, by which he was mulcted of any surplus proceeds of his labor, and thus deprived of incentive to work. When the Philippine Railways, in order to induce natives to undertake unfamiliar and wearisome work, advanced wages in the Visayas from 50 to 75 *centavos* a day, it caused a strong protest by the planters, who still are disgruntled, notwithstanding experience has demonstrated that double result is secured by this policy at an increase of 50 per cent. in pay. The truth seems to be that a large segment of old-time planters do not want the native laborer to progress, for this will mean his emancipation from the industrial semi-slavery under which he previously existed. If the planter pays higher wages, he himself will have to work harder to get value out of his labor; and the average planter in the Philippines has become so accustomed to the old order

of things that he regards any change with apprehension and disfavor. But careless, slipshod ways are doomed. They will in time, as the *tao* learns his rights under the law and, shaking himself free from the shackles of *caciqueism*, acquires industrial energy and efficiency under stimulation of increasing desires and greater rewards, be replaced by better methods.

There is little reason to doubt that Filipinos will respond to such a stimulus; indeed they already are beginning to look to Americans to provide opportunity for material improvement. Should the United States pursue an economic policy toward the islands which will encourage their development, there is small chance that the question, "Will the Filipino work?" will permanently be answered in the negative.

CHAPTER XXXIV

VALUE OF THE PHILIPPINES — *Concluded*

ADVERSE CONDITIONS — PERNICIOUS AGITATION — MORAL AND MATERIAL VIEWPOINTS — COST OF THE ISLANDS TO THE UNITED STATES — CONFUSION OF ISSUES — AN ECONOMIC PARADOX — INADEQUACY OF PROPOSED MEASURES — PRESENT STATE OF THE ISLANDS — COST OF MAINTENANCE — QUESTION OF THEIR SECURITY — THE EXTRA EXPENSE — A PHILIPPINE NATIVE ARMY — EXCELLENCE OF MATERIAL — ISLANDS ARE SELF-SUPPORTING — THEIR FISCAL SITUATION — FALLACY OF SOME ECONOMIC OBJECTIONS — PROPOSED SALE OF THE ISLANDS — POSSIBLE ECONOMIC EFFECTS — MORAL CONSIDERATIONS INVOLVED — NO BASIS FOR "GET RID OF THEM" ARGUMENT — THE "PROBLEM" EXAGGERATED.

OF conditions which have retarded progress in the Philippines, agitation which tends to create uncertainty about their political stability and status, such as suggestions to sell or trade the islands, are among the more detrimental. While such suggestions hardly will be taken seriously in diplomatic circles, they nevertheless are persistently thrust upon public attention by persons in America and elsewhere, who either are grossly mistaken about conditions and circumstances which apply to the proposition, or who take this means to gain political advantage or personal notoriety. It is highly important to the future of the islands, and to wider interests of the United States, that such impractical ideas be set at rest; which may, perhaps, be done by plainly presenting some pertinent issues involved.

Broadly, arguments which apply to this question have two viewpoints — moral and material. In prevailing discussion of the position of the United States in the Philippines both of these lines of attack have been used to attempt to show that it should relinquish sovereignty there; but material arguments apparently have produced greater effect. In any event, they have been more persistently urged, and with greater plausibility; so it may be well to give them precedence here.

It is probable that none of material arguments against retention of the islands by the United States has had greater weight with the American people than statements carefully compiled to show that they already have cost the Government an enormous sum. The Philippines have cost the United States a great deal of money; although many financial balances prepared by opponents of the Government's policy can be discredited by candid auditing. But admitting that a large sum has been spent because our nation acquired these islands from Spain, it nevertheless is true that to drag this question of cost into discussion of our future relations to the islands involves a fallacy. This money, or the greater part of it, was spent in suppressing an insurrection and in re-establishing civil order; or in the exercise of extraordinary police power. If a serious riot occurs anywhere, resulting in destruction of property, and requiring troops to suppress it, the extra cost is reckoned as a legitimate charge upon the maintenance of government. Such incidents are deplored and regretted, but no reasonable citizen objects to paying the bill, although he well knows the loss never can be recovered, nor replaced except by fresh increment of wealth. The American civil war cost taxpayers of the nation an enormous sum; but sensible men realize that the loss can never be recovered, although it may be restored, and

has been many times over. Such extraordinary governmental expenses are analogous to losses by fire.

So in proposing to sell or give away the Philippines, it is clear that by doing so our nation will not thereby recover what these islands already have cost it, unless it should get an equivalent sum in exchange for them, or adequate compensation in another form. The injection of this matter of past cost into the discussion involves some economic paradoxes, which indicate a confusion of ideas among those who advocate this disposal of the islands. Many who want to sell them on the ground of what the islands have and will cost the United States, profess to believe that we will be able to make a profitable sale of this expensive dependency, and thereby recoup. This idea seems to be based on a vague notion that another nation can make the islands profitable, and will be glad to take them off our hands. Here is a paradox; for if the islands are destined to be a burden to the nation which governs them, it is evident that the United States will find it difficult to sell or give them away; while if they can be made a source of profit, why should it, after having borne the brunt of a political and economic cataclysm, not reap this profit for itself?

Recognizing that to get rid of the islands now will not necessarily reimburse the nation for what they already have cost, a reasonable estimation of material elements involved must depend upon present and future contingencies. Cost of maintaining American sovereignty in the Philippines has two aspects: expense attached to administration of civil government in the islands, and expenses necessary to provide for their security. As the islands cannot now, and probably never can defend themselves against the aggression of a powerful nation, their defense will in some measure devolve upon the United States, and this means ex-

pense. Many take for granted that it means *additional expense* to the United States. For security the islands ultimately must depend upon the United States army and navy, particularly the navy. The United States will maintain an army and navy in any case; so presumption that retention of the Philippines will entail extra expense implies that their possession will require a larger military and naval force than otherwise would be needed to safeguard our national interests throughout the world.

This is a debatable question, and involves vast considerations. Projected on this hypothesis, the discussion at once assumes proportions so great that the item of the Philippines becomes insignificant by comparison. I have given considerable thought to this subject, and propositions which it includes, and I believe, leaving the Philippines entirely out of consideration as part of our national domain, that we will be unable to reduce our army from its present status, and will find it necessary to increase our navy in order to afford adequate protection to our national interests in the Far East. If our broader interests demand such a naval programme in any event, its application to the security of the Philippines becomes largely incidental. I think it can be demonstrated that the permanent existence of a friendly and intimate relation between the Philippines and the United States, which is the object of and the likely result of our present policy, will strengthen America's military and naval position in the Pacific, and eventually will reduce expense attached to its maintenance; and in this I ignore material compensations from other sources, confining the statement purely to the single element.

At present 12,000 to 15,000 United States troops are kept in the islands, and there is little probability that it will be practicable to reduce this number for several years.

The extra expense attached to maintenance of these troops in the Philippines is difference between the cost of their keep there and the cost of keeping them at home. At present it does cost more to have these troops in the islands than if they served only in the United States. They, of course, get the same pay and allowances in both places, and there is little difference in their upkeep in time of peace. The chief additional expense is the factor of transportation to and from the United States. The present tour of duty in the Philippines is two years, which means that troops frequently are moved great distances at considerable actual expense for transportation, and loss of time from active service while in transport. While it never will be practicable entirely to eliminate this additional expense, there is no doubt that it can be materially reduced.

Many army officers favor an increase of the insular duty tour to three or five years. The two year tour was fixed during the disturbed period which attended the insurrection and early days of civil government, when troops were subjected to arduous service, and before our officers had learned how to manage men in the tropics. Service in the Philippines is not now more strenuous than in the United States, and largely consists of routine duty in well situated and sanitary barracks. There is no sound reason why troops should not retain their health during an extended period of service in the islands. As we become more familiar with conditions which surround life in the tropics, it will be possible to introduce economies in the military budget. That it always will cost to maintain a military and naval outpost in the Far East may be granted, for it costs to keep such establishments anywhere. Americans should, however, learn mentally to separate the question of the security of our position in the Pacific from the local issue of administration of the Philip-

pine Islands. The United States, it is safe to predict, will in the future maintain a naval and military post in Asiatic waters whether the Philippines are retained or not.

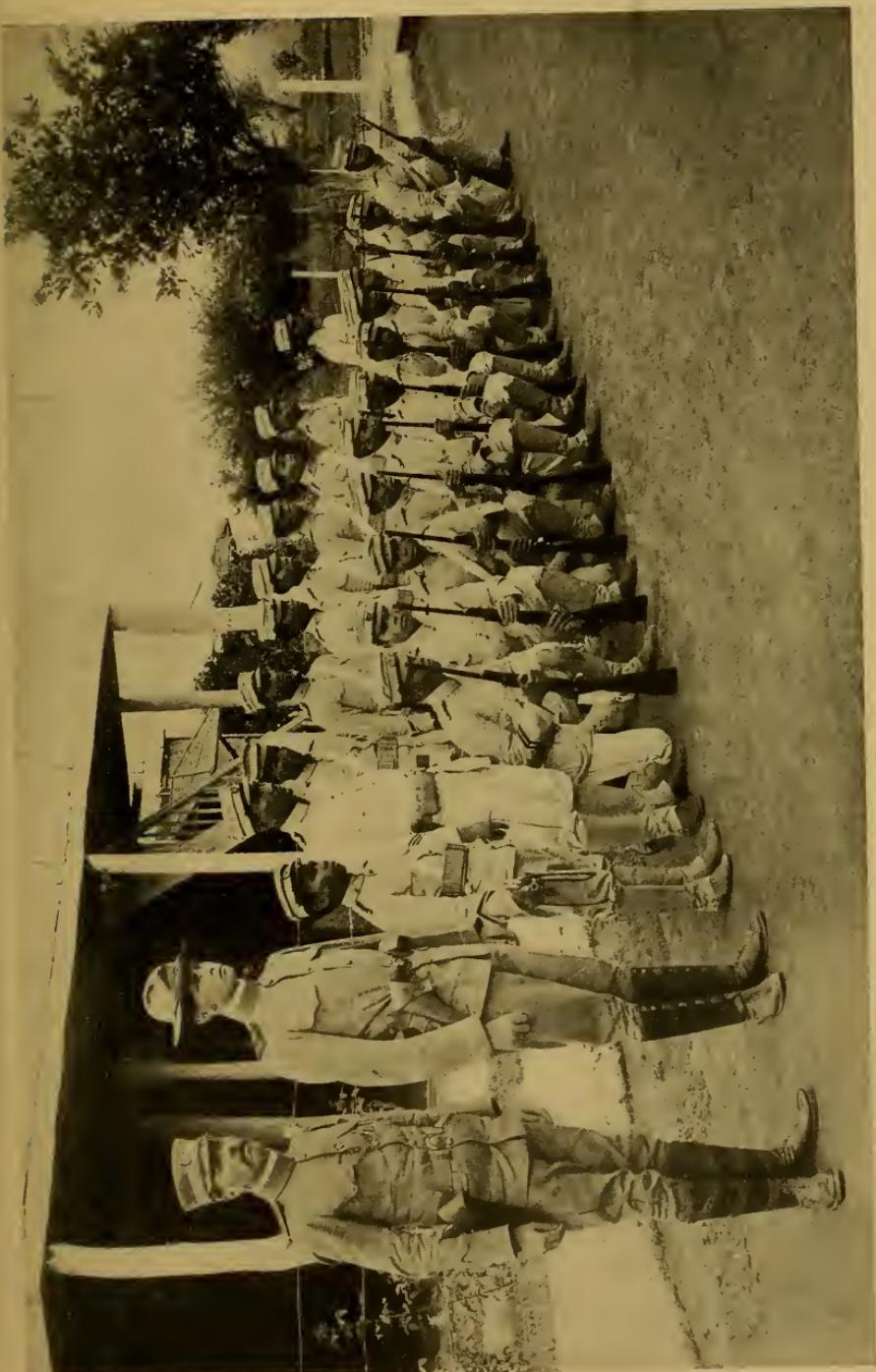
As time passes, with continuation of tranquillity in the islands, such United States troops as are stationed there probably will be concentrated in two or three large posts, the main one being near where the major naval base is established. Artillery and infantry will be the arms chiefly required, since the troops will not be expected to take the field in force. For policing the islands native troops may almost exclusively be employed. There already are several thousands of native troops, denominated Scouts and Constabulary. The Scouts are recruited as part of the United States army, and chiefly are officered by Americans. The Constabulary is attached to the Insular Government, and is paid by it; and also is chiefly officered by Americans, some of whom are detailed from the regular army. These troops have demonstrated that they are capable of developing first-class efficiency, and experts think that native troops can, when properly officered and equipped, be depended upon to hold their own against any Asiatic soldiery. The raw material is excellent.

Plans to recruit and maintain a native army sufficient to police the islands, and upon occasion provide reinforcement to the United States for defense of the Philippines, or other operations in the East, are seriously being considered by the Government. While the Scouts and Constabulary now are separate organizations, time probably will witness their consolidation, as they perform practically the same duties. When they were organized it was not thought wise to burden the budding Insular Government with the whole expense. In establishing the native troops upon a stable basis, it will be possible to

profit by experience gained, and to guard against errors. It will be an excellent plan to officer this force entirely by graduates of West Point, a proportion of whom well may be Filipinos. This will entail increase of classes at the Military Academy, but this must soon be done anyway, as our army is under-officered. The advantages of such a plan are clear. A native army will neither expect nor desire to get away from the country, it can be maintained much more cheaply than a similar body of American troops, and on the whole will be more adaptable to requirements of the situation. We may now see our way clearly enough in this matter to proceed, and steps to establish such a permanent force should receive early attention. Twenty thousand men should suffice for any contingency which reasonably may be anticipated.

From some comment on the topic which one hears and sees in print, it is evident that many persons think that all or part of the cost of civil government in the Philippines is borne by the United States Government. This impression is erroneous, and its existence only can be explained by attributing it to persistent misrepresentation. Since civil government was established, in 1901, expenses attached to its administration, with some unimportant exceptions, have been met out of the insular revenues. Notwithstanding unfair treatment in legislation by the home Government, a succession of devastating natural visitations, and detrimental results of years of war and unsettled conditions, the islands are self-supporting. Revenues from all sources for the fiscal year 1906-7 were \$13,754,046.00; while expenditures, including allowance for various sinking funds, were \$12,691,378.00; leaving a reserve of over a million dollars. This has been accomplished in the face of unusual conditions, which required suspension of nearly all taxes upon land,

PHILIPPINE CONSTABULARY.



suspension of other taxes in some provinces, and frequent appropriations for relief of the people. During this period the Government has successfully undertaken a gradual shift of methods of taxation, which in the Spanish regime bore heavily upon the poorer classes.

In this connection, some comparisons are interesting. The Philippine Islands are 3,141 in number, have a total area of 127,853 square miles, and a population of 7,635,426. The revenue now exacted amounts to \$1.52 per capita. Cuba has an area of 44,000 square miles, and a population of 1,572,845; and her per capita taxation is \$13.33. Porto Rico, with an area less than that of the island of Panay, exacts taxation of about \$3.70 per capita. Japanese pay a per capita annual tax of \$8.00. These figures indicate that with increasing prosperity it will be comparatively easy to increase insular revenues without their being burdensome to the people. If the islands are treated fairly by Congress, and given opportunity to develop their resources, there need be no fear that they will be a burden upon the national treasury. On the contrary, they can extend their school system, undertake internal improvements and meet all legitimate demands upon the insular treasury; and they will be able to maintain at their own expense such military force as I have suggested, and this will be their contribution to the scheme of broad national security.

Material profit which will accrue to the United States through industrial and commercial development of the islands is among compensatory benefits to be estimated in this connection, and which I already have reviewed. Another phase of this matter may, however, be mentioned. Much opposition in America to retention of these islands may be traced to allied corporations, which allege that certain American industrial and agricultural interests will

be adversely affected if Philippine products are given free entry into the United States. It is significant that the interests which present this argument are sympathetic to proposals to sell or exchange the islands. The matter of a sale of the Philippines presents some interesting economic suggestions. Only one probable purchaser has so far been suggested — Japan. What would be the effect upon American industry if the Philippines should fall into the hands of Japan?

Staple exports from the Philippines are hemp, sugar and tobacco, in the order named. Hemp is a Philippine monopoly, and at present there is an export duty on it. More than half of the hemp produced in the world is consumed in the United States, and if industrial experiments now under way prove successful, the United States may consume all the hemp these islands can produce. Under the existing tariff arrangement between the United States and the Philippines, export duty on hemp which goes to the United States is refunded, and accrues to the benefit of the purchaser; thus giving American manufacturers who use hemp this advantage over competitors in other countries. At present the islands lose revenue of nearly half a million by this law. If the islands should be sold to Japan, or are otherwise acquired by her, she could at once make the hemp industry a government monopoly, and increase the export duty to as high a point as would be possible without curtailing consumption. This could produce increased revenue which would be ample to take care of interest and sinking fund of a bond issue to purchase the islands, and eventually might lead to the extinguishment of certain industries in the United States, and usurpation of their markets by hemp products manufactured in Japan.

Everyone recognizes that it benefits American industry to be able to secure hemp without a duty being added to its price, and there is no opposition to its free entry into the United States; in fact, it enters free now. Opposition in America to free trade with the Philippines seems to center in the beet sugar industry. An attempt is made to have it appear that this opposition is in the interest of beet sugar growers, but sugar refiners are the real movers in the matter. It is admitted that the Philippines do not produce enough sugar materially to affect the market in America even if it should all go there (very little does now); and it is contended that if offered a free market in the United States there would be great development of the sugar industry in these islands, which might in time adversely affect American beet sugar growers. What might happen, in respect to sugar, if Japan should take the Philippines? Is it not reasonable to suppose that Japanese labor would be imported to till the plantations, and that the sugar refineries of Japan, which already enjoy the protection of government monopoly, would get a further advantage over the American sugar industry in competing in the world's market? If this should prove true, the sale of the Philippines to Japan might bring about the result which sugar manufacturers of America pretend to fear.

In giving precedence to material aspects of this situation, I have not felt that its moral aspects are unimportant or of secondary interest. The moral propositions involved stand out so clearly that it is hardly possible for casuistry to obscure them. Think of proposing, after having in an altruistic impulse undertaken to govern a country, to sell it, and of course its inhabitants also, because we do not see our way clear to make money out of it

and them, and to be rid of some trouble and responsibility; to be rid of what is called a "problem," when human affairs present a perpetual problem!

In a time now not far distant the American people will understand that the so-called Philippine problem is a Bogey. In the future we will be ashamed of fears which attended our early efforts to administer these islands; for as years pass, and we grow more familiar by contact with this "problem," and as its difficulties recede into correct perspective in comparison with our combined national activities, we will know it for what it really is; an undertaking not above the capacity of a third-rate European nation.

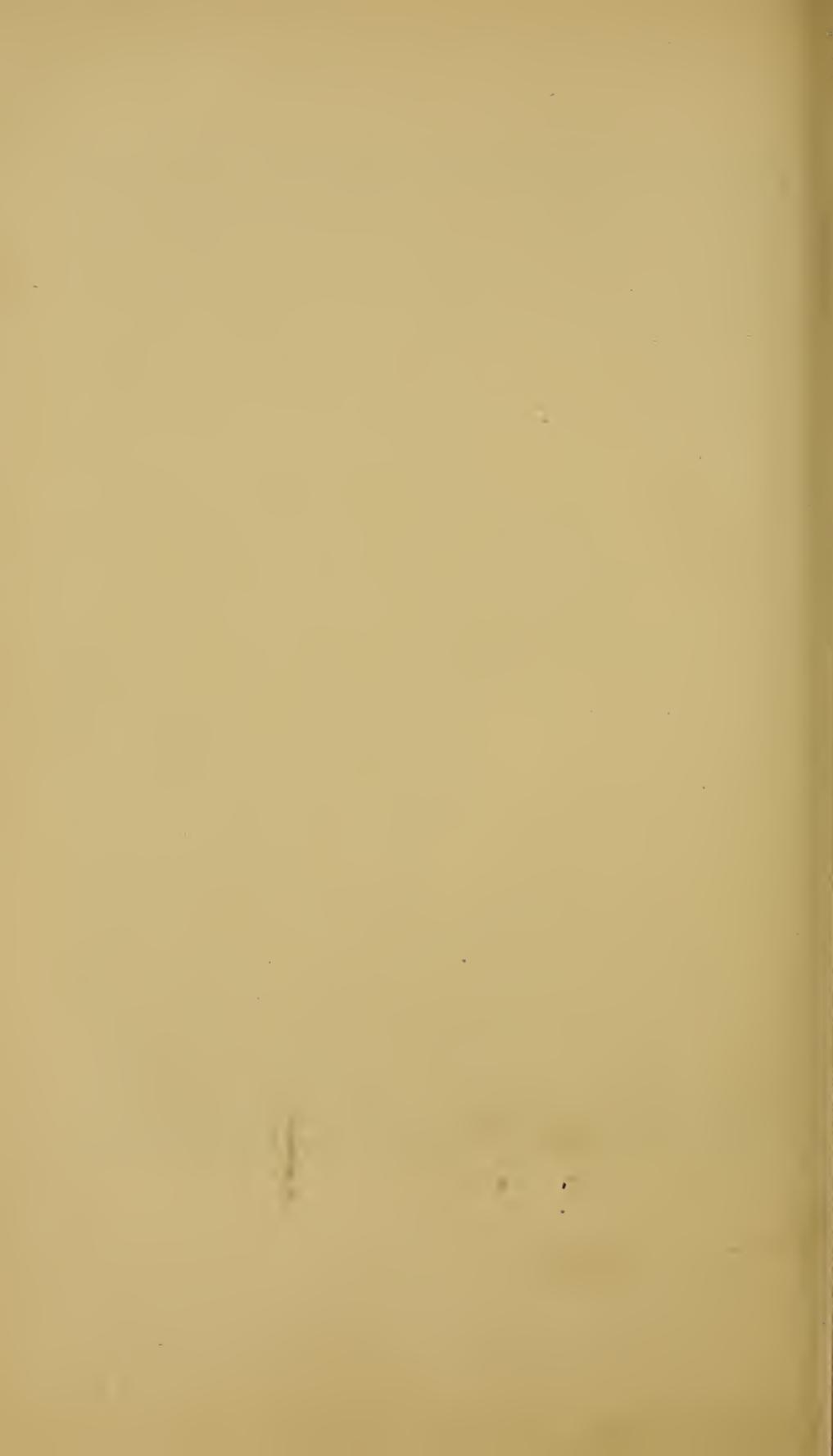
There is one moral factor attached to a sale of the islands which many persons apparently have overlooked; the ethical difficulty involved in turning over a Christian people to be governed by a pagan power; which probably will be the fate of these islands should the United States ever, for any reason, entirely cast them loose. When recently a segment of the American press was seriously discussing a sale of these islands to Japan, an American clergyman in Manila thundered from his pulpit:

"We will *not* be sold into Paganism."

There appears, so far as I am able to estimate conditions in the Philippines and circumstances which now determine and must in the future decide what their relations to the United States will be, no sound basis for a "get rid of them at any cost" agitation. Such discussion is based upon misconception of the facts, and its chief practical effects are to hamper material progress in the islands, increase the difficulties of administration, and defer the time when Filipinos will be prosperous and contented. Taking into consideration their geographical location, and the indisputable tendency for greater nations

TRANSPORTATION IN THE PHILIPPINES.





to absorb lesser ones, I cannot believe it will ever be possible for the Philippines permanently to exist as an independent political entity. Left to themselves they inevitably will fall under the dominion of some superior power, and for the United States to abandon its position there will be to cast them, like a rich prize, to be struggled for by other nations; a fate to which, in my opinion, the American people never will consign them.

CHAPTER XXXV

THE MORO PROVINCE

THE OTHER PHILIPPINES — HISTORY OF THE MOROS — EARLY SETTLEMENTS — PIRATIC EXCURSIONS — THE SPANISH REGIME — TRANSFER TO THE UNITED STATES — THE AMERICAN POLICY — EFFORTS AT REFORM — POWER OF THE DATUSS — TROUBLES WITH THE MOROS — SUPPRESSION OF THE INSURRECTION — ESTABLISHMENT OF CIVIL GOVERNMENT — ITS SEMI-MILITARY CHARACTER — THE ADMINISTRATIVE PROCESS — POPULATION AND RESOURCES — FISCAL SITUATION — THE SCHOOLS — MORO CHARACTERISTICS — MINDANAO — THE SULU ARCHIPELAGO — THE ISLETS — JOLO — JURAMENTADAS — MOROS AND FILIPINOS — A VALUABLE POSSESSION.

THERE are two Philippines. One is the Philippines of Manila, Iloilo and Cebu; which has representation before Congress, on the Commission, on the Insular Supreme Court; which elects its own governors and Assembly, and talks about independence.

The other Philippines contains people of a different race, who practice a different religion, have different manners and customs; who live under a different form of government, and who never have thought of independence in the accepted political meaning of the term. This is that part of the archipelago officially denominated Moro Province.

The Moros are supposed to be of Arabic origin, but their ethnology now has only incidental interest. The immediate ancestors of Philippine Moros seem to have been the *dyaks* of Borneo, who many hundreds of years ago began to make forays and excursions to the chain

of small islands now known as the Sulu group. Thence they extended to Mindanao, where a salubrious climate and fertile soil induced them to form settlements. When two princes of Borneo quarrelled, one of them removed to Jolo, where he established his Court. Moros occupied those islands without trouble, except numerous civil wars, until long after Spanish sovereignty was established in the Philippines. As civilization progressed and wealth accumulated in the Visayas and northern islands, the spoil which they offered tempted Moros to make depredations upon them. At intervals fleets of Moro *vintas* invaded the north, ravaged and plundered the Visayas, and once even threatened Manila. At every coast settlement in the Visayas the remains of watch towers and stone forts can be seen to-day, evidences of former Moro activity. Spain was compelled to make effort to protect her colonies, and after several campaigns succeeded, with great difficulty, and partly by diplomacy, in bringing the Moro country under her nominal rule. While Moros, through acquiescence of their leaders, thus were induced to recognize Spanish sovereignty, it was a yoke which they felt very slightly and which Spain dared not press too strongly upon them. The Spanish were content if the Moros would remain quiet, and hardly made an attempt to govern them locally. This complaisant policy was destined afterward to react upon Americans.

While the Spaniards established garrisons in some coast towns, and thus managed pretty well to control the trade of the southern islands, inhabitants of the interior scarcely were conscious of Spanish rule, and pursued their ancestral ways practically unmolested. There was, in recent times, a recognized Moro sovereign, the Sultan of Sulu, whose seat of government was and still is at Jolo. The Sultan for many years drew an annuity from Spain, but he had

little real authority outside the island on which he lived. The people were ruled by *datus*, or local chiefs. The position of a *datu* depended upon personality, and his ability to secure and hold a following. More powerful *datus* would receive the allegiance of lesser ones, and *datus* ranked according to the number of fighting men who obeyed them. They fought among themselves. When petty civil wars between neighboring *datus* occurred, as they frequently did, the Spanish Government and the Sultan usually left them to fight it out provided they did not injure Spanish property or subjects, or unless the strife threatened to embroil the entire country. On such occasions the Spaniards usually would end the war by taking the side which for various reasons seemed to be more politic, and aiding its leader to crush his enemy. Thus the Spanish regime, far from trying to develop political homogeneity among Moros, rather strove to keep the greater *datus* asunder, and to employ their mutual jealousies and animosities to preserve the balance of Spanish authority. In early days of the Spanish regime, the friars made some attempts to proselyte among the Moros, who are Mahometans; but these efforts were followed by such disagreeable consequences that they were abandoned.

This passing glance at Moro history may serve to give an idea of the situation in the southern islands when the United States took control of the Philippines. Hardly had the Spanish-American war begun when Moros started an insurrection which the Spaniards, being engaged elsewhere, could but feebly oppose. In a short time the Spanish governor and garrison were besieged in Zamboanga, and so they remained until rescued from their dilemma by American troops. It thus happened that in the Moro country, as elsewhere in the islands, the United States took over an insurrection. This one, how-

ever, had no disturbing political idea behind it, having as its genesis a religious and racial antipathy coupled with irritation caused by petty commercial oppressions; and, consequently, was not so hard to deal with. American military officials succeeded in convincing leading *datus* of their friendly intent, and in a short time peace was restored. The Spaniards sailed away, and Americans ruled in their stead.

Regarded one way, troubles of Americans with the Moros since then are due to ourselves and our ways. Having here a fine new possession, it was natural that the United States Government should look it over and begin to take stock. This stocktaking revealed some peculiar conditions, and the attempts to alter some of these conditions subsequently caused collisions.

Placed in an unfamiliar environment, and occupied by the Filipino insurrection in the north, the American authorities in Moroland at first devoted themselves merely to establishing their authority in the principal towns, where garrisons were stationed; and in opening friendly relations with the Sultan and more influential *datus*. No especial obstacle was encountered in these preliminary moves. The Sultan was cajoled into recognition of United States sovereignty by continuation of the pension which he formerly had drawn from Spain. In Mindanao the greater *datus*, such as Piang and Ali, likewise were conciliated, and outwardly accepted American authority.

As time passed, and Americans gradually came to learn something of the country and conditions in the interior, a state of affairs was revealed which rightly was judged to be inconsistent with the policy of the United States Government. The mass of the people practically were under the domination of *datus*, who exercised almost absolute power in localities which they governed,

and who frequently used this power to defraud and oppress their subjects. The laws were crude, and their administration barbaric. There was no definite land tenure, nearly all domain being held by *datus* and their favorites. Slavery and polygamy existed. Except for a few Jesuit schools in garrisoned towns, which taught children of Filipino and Chinese residents, the people were being left in ignorance. The Spaniards had made no effort to educate the people, after early attempts of the church provoked such bitter opposition, for with Spain school and church were synonymous, and instruction never moved except under the wing of religion.

To improve this condition was a problem which confronted the Americans and, true to inherited training, they set about it with confidence. In 1902 civil government, after a fashion, was extended to Moro Province, and with its establishment attempts at reformation began. The rapid change from a condition of comparative peace to one of insurrection which followed is attributed by many to replacement of military by civil government. This view has some plausibility, but argument in favor of indefinite continuation of military rule which is based upon it is, when scrutinized, revealed to be founded upon misconception. The military government succeeded in maintaining order, it is true, and might have continued to do so for years by a show of military force and by not interfering with local affairs of the people. But this would have meant comparative stagnation, and continuation of conditions which detained the people in barbarity and prevented development and prosperity of the country.

Reformation meant interference with the authority of *datus* and curtailment of their power; the abolition of slavery and suppression of slave trade; establishment of courts, and compelling popular recognition of authority

of the law; providing a sound foundation for commercial and industrial development by creating a legal basis for land titles; establishment of a school system; and, in general, extension of the functions of the central government into all parts of the country.

None of these things had ever been accomplished, hardly attempted by Spain; so here was a field for pioneer work. To have accomplished such an evolution without serious friction would be difficult under the most favorable conditions. In the Moros the Americans tackled a fierce, warlike, ignorant and intractable people, who rarely had been defeated and never conquered; a combination of qualities almost destitute of pliancy, and which made resistance a practical certainty. As was anticipated by many, the attempt to apply American policy to the Moros aroused opposition among them. Petty *datus* in remote districts refused to accede to administrative processes of the Government, and when a show of force was made to compel them, offered armed resistance. Thus began disorders, which in a short time involved the entire Moro Province, and which were suppressed only after arduous campaigning and some severe fighting. Fortunately, internecine jealousies of *datus* prevented them from combining against the Americans, and this made it possible to defeat them in detail. The campaign in the Lake Lanao country is typical of this weakness in Moro method. The *cottas* of perhaps fifty petty *datus* adjoin the lake, and these fell one by one under attacks of American troops. Fighting men of one *cotta* would witness the reduction of a neighboring *cotta* with indifference, often with satisfaction, apparently unable to realize that their turn would come next. American authorities soon adopted the Spanish expedient of playing hostile *datus* against each other, and with considerable

success; for in this way they were prevented from combining their forces.

While the Lanao and Cotobato districts presented greater difficulties, the fighting in Jolo probably had more decisive effect. Here occurred the Bud Dajo fight, the so-called battle of the crater, sanguinary details of which caused so much criticism in the United States. So severe was the defeat inflicted upon hostile Moros in this fight that further resistance was abandoned, and peace was restored. During the entire period of insurrection General Leonard Wood was governor of Moro Province and commander of troops engaged in the operations, and to his able administration much of their success is due. The United States army did splendid work in this little war. Moro constabulary took an effective part in the campaign, and fought their own people with as much energy as they used to display in attacking Filipinos.

Upon suppression of the insurrection civil Government, which perforce had restrained development of its policy during hostilities, resumed its efforts, and in time the now existing administrative system of the province was organized and put into execution. There is a governor, who also is commander of the military department of Mindanao; a treasurer, an attorney general and an auditor. These four officials constitute the Provincial Legislative Council, which legislates for the province, and whose acts may be vetoed by the Philippine Commission. The province is divided into five districts, each with a governor, secretary and treasurer, who compose the District Board and are appointed by the Provincial Legislative Council, subject to approval of the Commission. Districts are divided into tribal wards, each administered by a head man and a deputy. Local *datus* usually are appointed head men in their wards, as ex-

perience has shown that the people are easier to control when their familiar chiefs thus are employed. District boards make laws for a district, subject to amendment or annulment by the Provincial Council. District governors act as justices of the tribal courts. Appeals from tribal courts go to the Court of First Instance for the province, which is presided over by an American judge, and constitutes the Fourteenth Judicial District of the Philippines. Spanish civil and penal codes chiefly are used, as elsewhere in the islands, but Moro laws, which have been crudely codified, sometimes are used in modified form. Christian elements of the community are under the same status as in other provinces. Under the law organizing the province, army officers may act as district governors and officials, and if they exercise these offices they receive a small addition to their pay. At present several district governors are army officers, from motives of convenience and economy, as it is necessary to maintain a number of military posts in the province.

It will be perceived that this Government, while called a civil government, is semi-military in character, in the sense that its authority still largely rests upon the presence of troops, and that it is chiefly administered by army officers. But the essence of civil government is here. The law of the land, not autocratic dictum, is the basis for administration, and the people are being instructed in obedience to this law as interpreted by the central Government and the courts. Still, the work has only just begun. The central Government has comparatively little knowledge of what is going on in many tribal wards, its source of information being the local *datus*. Gradually the people are learning that they can appeal to higher authority than their *datus* against injustice and oppression, and the worse evils of *datu caciqueism* are being remedied.

Slavery no longer exists, polygamy is diminishing, and a legal basis for personal and real property rights is being established. A plan has been adopted whereby it is hoped in a few years to have all land titles registered. Formerly *datus* claimed all unoccupied land, which is the greater part of provincial domain in the larger islands. The Government has refused to recognize these claims, however, and will grant titles only upon proof of actual occupation and cultivation. This will remove a cloud from the title of public lands, and throw open the country to settlement and development. The Government is endeavoring to discourage present migratory habits of the Moros, and to get them to settle upon land and establish titles; but without much success so far.

The present population of Moro Province consists approximately, for an exact census never has been made, of 450,000 Moros known as civilized, 60,000 Filipinos and Chinese, and about 50,000 uncivilized people who live in the mountains of eastern Mindanao, known as hill tribes. Of this population a great majority inhabit the large island of Mindanao, which has nearly half a million inhabitants, of whom nearly three-fourths are Moros. Filipinos chiefly live in northwestern Mindanao, where there is a small organized province attached to the regular Insular Government, and in the coast towns. Chinese are merchants and traders of the province, and have been established there for many years. The province is self-supporting. The fiscal year 1907-8 showed a revenue of 750,000 *pesos*, and a surplus of 30,000 *pesos*. All customs and other revenues collected in the province inure to the provincial treasury. A provincial school system is maintained out of the revenues. Schools have been established throughout the province, but except

in larger towns considerable difficulty is had in inducing Moro children to attend. The attendance is, however, slowly increasing, and the people are growing more friendly to the schools as they come to understand their purpose. Moro children are keen and apt to learn. I was rather struck with a scene in the industrial branch of the Zamboanga school, where some three score of Moro, Filipino and Chinese boys were learning how to make wicker baskets, chairs and other articles, under the instruction of a Chinese teacher. It was somewhat difficult to realize that this was an American public school. It was the American policy in Moroland revealed at a glance. The schools of the province now contain 60,000 children, of whom a majority are Filipinos.

Moro Province presents an administrative rather than a political problem, except as political considerations are externally thrust upon it. Moros have no idea of politics in the modern sense, and take no interest in such matters. They moreover as yet have practically no conception of responsibility and loyalty to a central government. Their civilization, such as it is, is based upon family and tribal relations, held together by a thin thread of religious imperialism, centering upon the Sultan. The people formerly paid tribute to the *datus*, who in turn paid tribute to the Sultan, unless they felt able to resist his power, when they refused, and civil war usually resulted. The only political problem, to employ a seeming paradox, involved in the administration of Moro Province is a religious one. Mahometanism, ever poor soil for proselyting of other religions, has here lost none of its stubbornness and fanaticism. Any interference with the religion of Moros is certain to cause serious trouble. So the Government does not desire the presence there of other

religious sects. The Jesuits already are established, but they long ago learned to leave Moros alone, and confine their attention to Filipinos.

In time the Insular Government hopes to accomplish much for the Moros and their country. There are two customs, however, which even the military prefer not to interfere with, at least not now; concubinage and carrying of arms by the fighting men. With great difficulty the authorities have secured most of the rifles formerly possessed by the warriors, but Moros still strut about with dangerous looking *barongs* thrust in their belts. They are splendid fighters, and if the Government ever needs an Oriental army it can raise it here. Moros differ in some respects from any Orientals I have seen at close range; their eyes meet yours without flinching, with the look of men who may at times have been defeated by superior force or skill, but who never have been subjugated, and who are ready to take up arms again at any moment. The Moro constabulary does excellent work, and is dependable, so the officers believe. Some American army officers who have had contact with Moros think that, with equal equipment and training, they make better soldiers than Japanese.

A cruise through the southern islands tempts one to rhapsody. The smaller islands are more picturesque, rising out of a sea of brilliant blue or purple, and usually with a bank of fleecy clouds clustering about the summits of the hills. Mindanao is the largest island in the Philippines, and probably the richest in natural resources. It is spoken of out there as a "white man's country"; meaning that the climate is salubrious for people who have been accustomed to reside in temperate zones; but I suppose that by now the slander about the Philippines being an unhealthy country is sufficiently refuted. The manner of

life of most Americans there has been unhealthy, I grant. Mindanao impressed me as being best of the islands when climate is in mind. Zamboanga is, I think, the prettiest town in the islands. It is the provincial capital and principal port in the Moro group, and is surrounded by a beautiful country through which one may drive upon well kept roads. The streets are clean, the buildings neatly whitewashed, and the place has an air of prosperity and progress. It is the only place in the Philippines where jinrikishas are used.

Mindanao indeed is a wonderful island, as yet practically undeveloped. Great rivers flow through broad and fertile valleys, while the hills and mountain slopes, which in places rise to an altitude of 10,000 feet, are covered with a dense growth of timber, mostly valuable hardwoods. Hemp grows on the island in great profusion and excellence. There now is a thriving colony of American hemp planters at Davao, and the industry is rapidly extending. The resources of Mindanao have not yet been scratched. Populated as densely as Porto Rico, the island will support 20,000,000 people. Hemp, rubber and rice are the chief staple products, but nearly all kinds of tropical and sub-tropical crops thrive in this soil and climate.

Jolo perhaps is the most interesting of the chain of islands which form the Sulu Archipelago, because of its historical associations and on account of being the seat of the Sultan. In Jolo one suddenly steps into a warlike atmosphere. The order is that no soldier or foreigner shall ever be without arms, and so one sees men going about with pistols strapped on them. I met some soldiers returning from a plunge in the surf. They wore only bathing suits, and each man carried his revolver in his hand. While they were in the water they deposited their

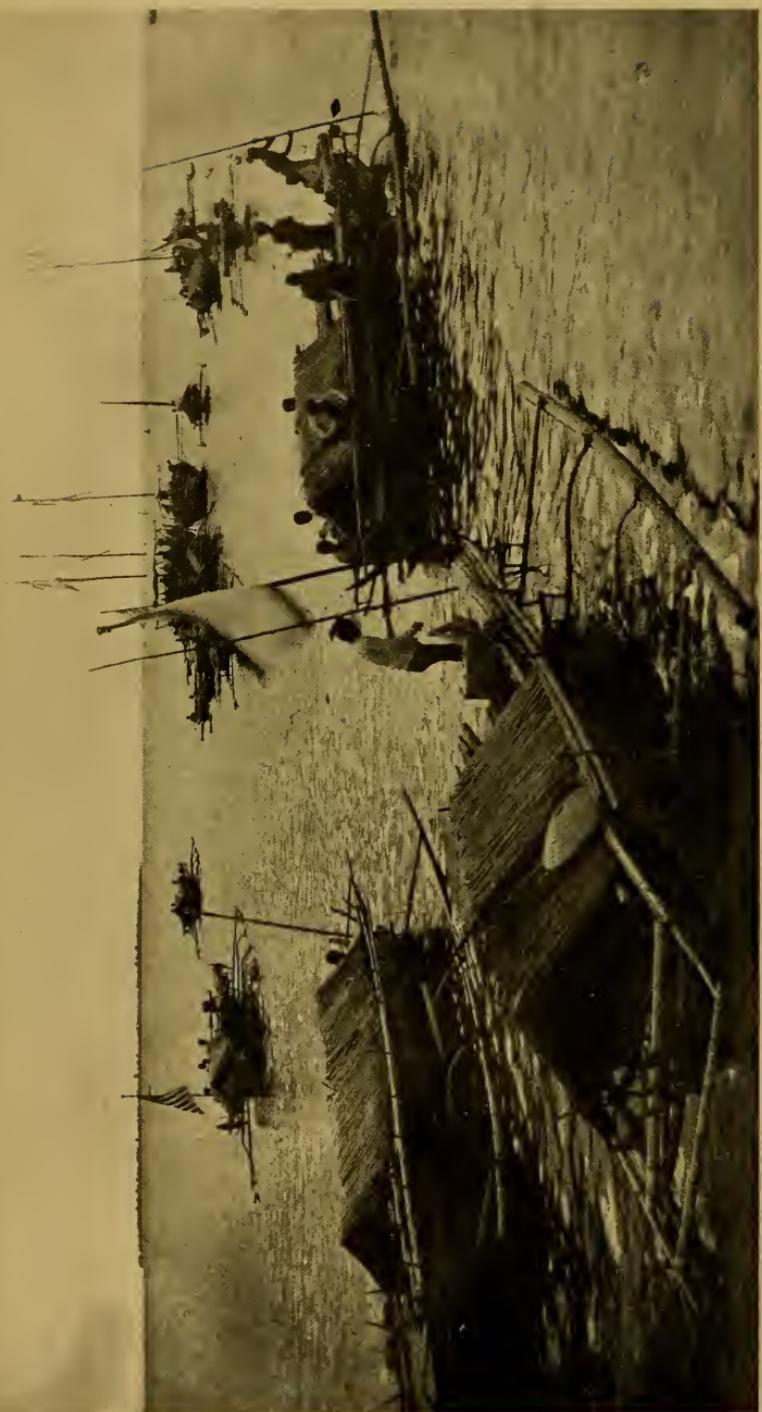
weapons on shore, guarded by two comrades. At a fixed hour every evening all Moros must leave the walled city of Jolo, when the gates are locked and guarded during the night. In the morning they are again opened, and sentries always are on duty, who scrutinize Moros who pass through.

The reason for these extraordinary precautions in time of peace is the *juramentada*, a type of religious fanatic who occasionally takes into his crazy head to get out his *barong* and run amuck. He exists in all parts of the Moro country, but Jolo seems to be his favorite habitat. The desperate deeds of *juramentadas* could fill a volume. Once they go on the war path, which they always do without the slightest warning, they will cut and slash at every Christian within reach until they are themselves killed. So wrought by frenzy do they become that sometimes it takes a score of bullets to bring one down. Quite recently a *juramentada* who ran amuck at Asturius, a suburb of Jolo, was shot twelve times before he fell.

The Spanish Government also had *juramentadas* on its hands, and they reaped many sacrifices. There is a story, probably apocryphal, of how a Spanish governor of Jolo managed a *juramentada* incident. It has been printed before, but always is interesting, and it points a moral.

A peculiarly atrocious *juramentada* outrage was perpetrated in the city, the victims being a Spanish family. The *juramentada* was killed, as is usual, for one always resigns himself to death and makes no attempt to escape. This *juramentada* was a follower of a neighboring *datu*, and the governor sent a protest to the *datu*, demanding that such men be kept under control. The *datu* replied that he was very sorry, but the man was *juramentada* and he could not control men so affected. A few days later a Spanish gunboat appeared before the *cotta* of this

FLEET OF MORO VINTAS.



datu and shelled it, killing a number of people and destroying much property. The *datu* sent a hasty protest to the governor, who is said to have replied:

"I am very sorry; but my gunboat has gone *juramentada*, and I cannot control it."

Whatever method Spanish governors may have used, *juramentadas* were few in later days of the Spanish regime, and they revived soon after American occupation. Fortunately, they now seem to be diminishing; but they still are frequent enough to be a cause of apprehension to foreigners in Jolo.

While they are but the fringe of the Philippines, its ragged edges so to speak, the islands of the Sulu group are well worth a visit. Here ply the pearl fishers, and snuggled in the maze of tiny islets are rendezvous of native and Chinese smugglers who use Borneo as a base. In order to check smuggling the Philippine Government maintains custom houses at several points. Siassi, Bangao and Sitanki are remote even from the Philippine world; yet we would hardly drop anchor in one of these little ports when the cutter would be surrounded with *vintas* filled with Moro boys, who would chatter at us in English, and invite us to throw coins for them to dive after. Sometimes lads would stand in the *vintas* and perform the manual of arms with paddles, at the command of one of their number. "Carry arms; port arms; shoulder arms; order arms;" and the orders would be executed with accuracy and precision. They learn these tricks from the American soldiers. At Siassi a Moro boy who spoke very good English told us of a rich *datu* who always presents American visitors with a handsome pearl, but we did not test his hospitality. On Cagayan Sulu, the scene of Quiller-Couch's mythical romance, are two white men living among 3,000 armed Moros. One of these, a

United States customs officer, had, in 1908, been there for nearly two years, and never had any trouble with the natives. He was quite contented, and when asked if he was not afraid to live there without any troops or constabulary, he said:

"If the Government ever sends any soldiers or police here I will resign at once; for that would mean certain trouble."

Notwithstanding difficulties which are encountered, the American policy is making progress even in Moroland. Anomalous as is the relation of the civil to the military element in the Government, they are here working together harmoniously. There is only one cloud, and that a small one, on the horizon of Moro Province. This is desire of the Philippine Assembly to get control over its affairs, which tentatively cropped out during the first session of this body. Owing to the bitter racial and religious antipathy between Moros and Filipinos, it is not prudent to employ Filipinos in administration of the province, nor will it be for years. The Moro despises the Filipino, and the Filipino hates and fears the Moro. Filipino politicians seem to fear that Moroland will become separated from the other islands, and they want to retain control over it. Some Americans believe that if the islands, including Moro Province, were now given independence, the Moros would conquer the northern islands in a few years. Fortunately, there is slight probability of any fundamental alteration of the status of the province for a long time to come, which gives assurance of continuation there (with, perhaps, some passing interruptions) of a condition of peace and progress.

CHAPTER XXXVI

AMERICA'S POSITION IN THE PACIFIC

ISSUES INVOLVED—AMERICAN INTERESTS IN THE EAST—QUESTION OF THEIR SECURITY—COMMAND OF THE SEA—NAVAL BASES—THEIR USE AND REQUIREMENTS—THE QUESTION PRACTICALLY ESTIMATED—PROSPECTIVE OPPONENTS—AMERICA AND JAPAN—THE SITUATION ELUCIDATED—ITS POSSIBILITIES AND PROBABILITIES—ELEMENTS OF THE PROBLEM—THE GEOGRAPHICAL FACTOR—THE DEFENSE OF HAWAII—A POSSIBLE JAPANESE ATTACK—THE FACTOR OF TRANSPORTATION—PRELIMINARY MOVES—MOBILIZATION AND DISPATCH—LOGICAL CONCLUSION OF THE PROPOSITION.

As appreciation of commercial possibilities of the Orient and their relation to industrial prosperity of the United States grows among Americans it will, inevitably, cause consideration of the security of our position in the Pacific Ocean, which body of water now is recognized by many as the probable future center of the world's greater activities.

When interests of the United States in the East are mentioned, many persons in America think at once of the Philippines as the beginning and end of them. While the relation of those islands to the question is important, they really are a minor factor in comparison with broader issues at stake. So when it is proposed to secure our interests in the Far East by creating facilities for protecting them from possible aggression or assault, the average American, having only the Philippines in mind, is apt to say: "Oh,

are they worth the trouble and expense?" It is possible, I think, justly to answer this question in the affirmative. But the real question is: "Will it pay to establish a condition giving force and effect to America's voice in the solution of the problem involved in the evolution of the East, and making it possible to safeguard our material interests by other means than concessions which, by limiting our national opportunity in those regions, will re-act upon our prosperity at home?"

It may be said that security of American interests in the Pacific depends upon command of the sea in comparison with any probable antagonist; and command of the sea in turn depends, in addition to marine armaments, upon coaling stations and naval bases. Naval armaments are practically useless in any locality without facilities for supply and repair. To provide such facilities two things are necessary: harbors and landing places, and the necessary depots and mechanical adjuncts. The United States already is supplied with ample natural facilities in the Pacific. It remains, therefore, to provide only the artificial element. The equipments required are dry docks for ships of all sizes; coal and coaling machinery; shops provided with machinery and material needed to make repairs to both ships and armament; and depots containing reserves of all needed supplies. Where natural conditions are favorable, to provide all these things requires only time and money.

Since the establishment of such bases contemplates, as does the maintenance of armies and navies, the possibility of war, it is necessary to consider the probability of their being attacked; and in selecting sites their defensibility is a fundamental consideration. A naval base may be attacked both by land and sea, so this matter has two aspects. Should a superior hostile fleet be able to bring its guns

to bear upon the anchorage and mechanical facilities of a base its value will be destroyed, and such ships as had sought refuge there may be lost. The harbor should, therefore, be so situated that it cannot be entered or approached by a hostile fleet except at grave peril or almost certain danger of destruction. Recent wars conclusively have demonstrated that ships cannot successfully combat with land batteries of anything like equal strength, while if the entrance to a harbor is narrow it also may be protected by mines. Given a well located harbor, to defend it from naval attack is comparatively easy, and involves only the mounting of batteries and planting of mines.

The problem of defense from attack by land is not, however, always so simple. Where circumstances make it possible that a base can be blockaded by sea and at the same time beleaguered by land, its defensibility depends upon ability to withstand assault and to sustain a prolonged siege. It is not necessary to worry about the land defensibility of naval bases situated in the United States, for they easily and quickly can be supported by the entire military strength of the nation. But the problem of defending bases situated over sea from their sources of supply and reinforcement is different. In such cases protection of a base ultimately depends upon supply and reinforcement, which can be accomplished only by securing and retaining command of the sea. Unless, therefore, the United States adopts a policy of permanently maintaining a naval force in Pacific waters superior to that which can quickly be assembled by any prospective opponent, it must be prepared to defend its naval bases there from attack by land and sea until a fleet capable of disputing command of the sea with the enemy can reach the scene.

The value of naval bases in Pacific waters may be said

to apply chiefly to war between the United States and an Asiatic power; for while some European nations might conduct large naval operations in that part of the world, the crux of any conflict between America and another western power would not be there, and no naval force alone ever can wrest any of our major Pacific possessions from us. Only armies can do this, and it is not now feasible for any European power, excepting Russia, to assemble a formidable army in the Far East in the face of serious opposition. Of Asiatic nations which conceivably may come into collision with the United States there are only two — China and Japan; so the proposition of defense of American interests and possessions in this locality need seriously consider only these two possibilities. The internal situation and military unpreparedness of China prevents apprehension from that source for many years to come; so present estimation of the problem may be predicated upon the comparative situation of the United States and Japan.

While there is some disposition to deprecate discussion in time of peace of possibilities of war between nations as tending to cause such collisions, it is evident that candid comparison of resources and elements involved also may have deterrent effects. Whatever view of this question one may hold, there is no doubt that governments perpetually are occupied with the problems which international strife presents, and that they possess perennial human interest. Nor do these considerations necessarily imply belligerent design or intent, and if popular discussion of them usually is limited to occasions when diplomatic embroilments seem to presage a disagreement, it is equally true that only under such circumstances is the popular mind in most countries receptive of information to which national security and legitimate ambitions demand attention.

That results of the war against Spain and subsequent events in lands bordering the Pacific Ocean would provide new problems for American naval and military departments was inevitable; and that Japan would take a prominent place in such considerations was a foregone conclusion, definitely established by her geographical location and rapid development. In early days of American occupation of the Philippines, and during the insurrection, specific evidences of adverse Japanese political activity there were obtained by officials of the United States Government, and while these quietly were relegated to archives in Washington without publicity, from that time our army and navy have regarded the Japanese as opponents against whom they eventually may be called upon to try their mettle. Since then Japan's naval and military efficiency has been practically demonstrated. Her national ambitions and activities have greatly widened, and new forces set in motion by them already have produced friction between American and Japanese interests in both Asia and America. As yet the more serious instances remain in comparative obscurity, known only to a directly interested few, and nursed in diplomatic cabinets, while those which so far have been widely discussed belong properly in the pin-prick class. But these have served to attract the attention of the world, giving rise to much speculation on the possibility of war between Japan and the United States, until to-day many Americans seriously are asking: "What can Japan really do to us?" And while it probably will suffer periodical lapses, this question will grow more insistent as the years pass, and may one day demand a practical answer of the nation.

The problem contains various elements; those of time, place and contingent physical conditions. In respect to place, the scene of such a conflict seems inexorably to be

limited, except minor manifestations, to the Pacific Ocean and countries contiguous to it. Thus the one fixed element is geographical, and this may be considered first.

Japan and the United States are still remote from each other, even under modern conditions. Ten days is now required for the fastest ship plying the Pacific to steam from Yokohama to San Francisco, while the shortest mail schedule now operating is twelve or thirteen days for a shorter run to Vancouver. Mail lines between Yokohama and San Francisco, via Honolulu, require sixteen days for the passage; ten from Yokohama to Honolulu, one day lie-over, and five days for the remainder of the distance. But America has possessions much nearer to Japan; the Philippines, Guam, Midway Island, Hawaii and Alaska. Remoteness in war is advantageous or disadvantageous, according to whether a nation is acting on the defensive or offensive. In war the offensive or defensive often is determined by circumstances over which neither belligerent has, in the beginning, any control. It is probable that initiatory offensive or defensive in a war between Japan and the United States will be determined by geography. Manila is nearly three times as far from San Francisco as from Nagasaki, and Guam is two and one-half times farther from the United States than from Japan. Honolulu is 2089 nautical miles from San Francisco, and 3445 miles from Yokohama. These places represent pieces in any naval and military game between Japan and the United States, and it is perhaps not necessary now to carry the purely geographical demonstration further.

Turning to other elements, it is clear that the time when such a war may be fought has an important bearing. We cannot penetrate the future to any distance, and so speculation, to have practical value, must be confined to a

period when conditions may be foreseen with tolerable accuracy, which in this case does not exceed twenty years. Beyond this, modification of material conditions, through territorial acquisition or relinquishment by both or either nation, or evolution in transportation and implements of war, renders conjecture futile. In fact, ten years may be set as a reasonable limit for prognostication, for experts hold the view that if Japan decides to court an extreme issue with the United States she will do so before the completion of the Panama canal. So here a certain limitation of time applies; and this period may be again divided into two periods of five years each, defined by practical considerations which I will demonstrate later.

The remaining element of physical conditions affords a more interesting field for speculation, because these are so numerous and variable, and I first will predicate the discussion upon conditions as they approximately will exist during the next five years. A vital factor is the naval strength of the two nations. So many statements of present and prospective navies of Japan and the United States recently have been published that it is unnecessary to present one here, it being perhaps enough to say that there is a considerable aggregate preponderance in our favor, and that probable and possible ratios of increase accrue to the further advantage of America. The armies of the two nations need not be compared, since they cannot immediately be brought into collision, and must in the end, especially in case of America, first be recruited and organized. Both nations easily can raise and equip armies as large as ever can be employed. A Japanese invasion of the United States or an American invasion of Japan do not require detailed consideration in this connection, and may be dismissed as being practically impossible under present conditions.

Should war begin, then, within five years, the United States would, if its major naval force should then be in the Atlantic ocean, be placed by circumstances on the defensive, and be confronted by the problem of protecting its possessions in the Pacific. Japan's chief effort probably would be directed against the Philippines: but the order of procedure might be varied. Some experts hold that Japan would, immediately on the outbreak of war, dispatch an expedition to take Manila and seize the islands, confining her effort for the time to these operations. Others think that she would first endeavor to cut our line of communications with the Philippines, by seizing Guam and Hawaii, thus making the task of defending the Philippines harder, and vastly increasing the difficulty of retaking them should they succumb early in the struggle. We need accept, at present, neither of these views; but as much the same propositions are involved in both undertakings, and a solution of one applies directly to the other, I will first discuss the probabilities involved in a Japanese attempt to take Hawaii.

In its relation to the general defense of our possessions in the Pacific, Hawaii is important only as a stepping stone on the way across. As long as we retain a foothold there, we have a base whence further operations can penetrate, and which dominates the whole area of the central Pacific. With Hawaii in Japan's possession, we would be tremendously handicapped in attempting to defend the Philippines, and the American coast would be open to Japanese naval incursions. Notwithstanding that this has been understood at Washington for years, the establishment of a defendable naval and military base in Hawaii has progressed very slowly. Pearl Harbor, near Honolulu, has been selected for a naval base, and preparations for its protection and defense begun. Should war begin

before its defenses are completed, the defense of this essential outpost would depend upon hastily constructed fortifications, and such military force as could quickly be assembled there.

As the importance of striking the first effective blow in war is appreciated by governments, diplomatic negotiations which immediately precede a rupture usually are conducted with a view to the military and naval situation when hostilities begin, each of the prospective belligerents endeavoring to secure advantage. A striking example of success of this nature was given by Japan at the beginning of war against Russia, when the Russian fleet at Port Arthur was surprised and seriously damaged by the Japanese fleet, and Russian ships at Chemulpo, Korea, were destroyed. This was accomplished through the circumstances (although Russian stupidity played a part) which gave Japan control of telegraphic connection with Korea, enabling her to cut off the Russian minister in Seoul from communication with his Government for several days before hostilities were begun. Such practices are not countenanced by diplomatic canons, but history affords many instances where such advantage has been taken, and in dealing with Japan in the future any government will have such possibilities in mind.

While there is no international rule exactly defining the matter, hostile collisions between nations nowadays usually are preceded by a period of negotiation, in which the causes for complaint are mutually exchanged and a presumed effort amicably to compromise them made. I use the word *presumed* because in many cases the preliminary negotiation is purely perfunctory, war having been fully decided upon by one or both nations before the exchange of the first diplomatic *parler*. When war comes from such conditions, the nation taking initiative (usually

attended by a depreciatory attitude and disclaimer of hostile intent) certainly will have been actively preparing for months, even for years, and the larger national interests will have been warned to shape their affairs for the approaching conflict. The necessity for doing this, and the practical impossibility of long keeping such moves secret, provides, as a rule, ample notice to those with eyes to see, and makes it difficult for a wide-awake government to be completely surprised.

In respect to Japan and the United States it reasonably may be assumed that no crucial diplomatic issue between them will be raised unless one nation is resolved upon war provided satisfaction is not obtained. This does not take into account, of course, peccadillos advanced from time to time on account of requirement of internal politics, or by way of general diplomatic offsets. Assuming an intention to bring on war, or expectation that war may result from a diplomatic contretemps (for no government will commit itself without first estimating the cost), it is probable that at least two months will elapse between the first preliminary note and a rupture. It is fair to presume that this interim will be used by both governments to make such preparations as they can without taking action which would immediately precipitate hostilities. Actions which, under such conditions, may be construed as actual acts of hostility, are not specifically defined, and always must be judged in conjunction with all the surrounding circumstances; but some are fully recognized, as a movement of large bodies of troops to a contiguous frontier, or the concentration of a naval force where it may threaten an important possession of the prospective enemy. Steps of a government to protect its exposed possessions by strengthening their defenses, where such addition of force does not at the same time threaten some pos-

session of the prospective enemy, cannot legitimately be considered acts of overt hostility, although wars often have been commenced on such pretexts. Thus, in the event of a serious issue between Japan and the United States, and while negotiations are pending, for the United States to accelerate work on fortifications at Manila and Honolulu, and increase the garrisons there could not justly be criticized.

It safely may be assumed that under circumstances like this the United States Government would recognize the exposed position of its possessions in the Pacific and consider ways and means to protect them. Leaving for the time the Philippines out of consideration, let us see what is involved in a defense of Hawaii under conditions as they now exist and will approximately obtain for several years. Should the Government neglect, with a number of transports lying idle in Pacific coast ports, to reinforce the garrison at Honolulu until it became evident that a rupture was inevitable, there still would be time to dispatch an adequate force provided prompt action was taken. By chartering a few additional ships, it would be possible to land a force of 25,000 men at Honolulu within ten days after the movement was commenced. With such a force would go supplies of all kinds, including artillery, and guns for fortification and coast defense, even if such had not already been dispatched. As the defense of Hawaii turns on security of a naval base there, the officers entrusted with this duty would not concern themselves with the other islands, but would confine their efforts to holding Pearl Harbor and Honolulu from Japanese attack. Thousands of men would be set to work upon fortifications, and while nothing comparable to Port Arthur or Sebastopol could quickly be created, a few weeks would be quite enough to establish a system of defensive works which

could not be taken by assault of any except a land force of greatly superior numbers. It hardly is necessary to say that any naval force which could be assembled by Japan at Hawaii could not, unaided by troops, occupy Pearl harbor or Honolulu in the face of serious opposition from troops on land.

But these questions arise: What might Japan do to prevent the reinforcement of Hawaii by a force large enough to hold a base for some time, and failing to do this, what force could she bring to attack and capture it?

First to be considered is whether Japan would be able to prevent the landing in Hawaii of reinforcements from America, for should she succeed in this it would greatly modify the difficulties in the way of her occupation of the islands, since her navy, supplemented by comparatively few troops, would suffice for the undertaking. It is clear that reinforcement from America only could be prevented by intercepting our transports with ships of the Japanese navy, and this leads to examination of the conditions involved, and the probable distribution of the two navies when the breach came. By withdrawing all battleships from the Asiatic naval station the United States Government inaugurated a new policy, which may be pursued for several years. This policy is based on the theory that our only prospective naval opponent in Asiatic waters is Japan, and that unless we are prepared to maintain a battleship fleet there capable of meeting the Japanese battleship fleet with a fair chance to defeat or cripple it, it is worse than useless to have any there at all, for it would be isolated and might be fruitlessly sacrificed. So our Asiatic fleet now consists of small cruisers and gunboats, and a small torpedo flotilla. Should war with Japan come while this condition exists, the cruisers and perhaps some smaller boats would be withdrawn at least to Honolulu before the

break came, and probably to San Francisco, where they would unite with the cruisers and battleships of the Pacific fleet, forming quite a formidable force; not, under the present tactical distribution of the American navy, one capable of successfully encountering the major Japanese fleet, but potent enough to compel Japanese naval officers to reckon with its existence. Between Manila and the United States is a telegraph cable, touching at Guam, Midway and Honolulu, which will be controlled in war by the Government. Fast cruisers, equipped with wireless apparatus, undoubtedly would be stationed at Guam and Midway pending and immediately following the outbreak of hostilities. Such ships could cruise about the sea routes between Japan and America, and report should a Japanese fleet be sighted. In this way Honolulu and the Government at Washington could receive warning should any Japanese fleet take the seas. Even assuming that a Japanese fleet should take time by the forelock, and leave its base in Japan before diplomatic negotiations were broken off, as was done at the beginning of war against Russia, but little time could be gained, for such a move would soon be detected, and the Japanese Government would hardly risk sending a fleet to sea and losing communication with it until a rupture was only a matter of hours, or a day at most.

A Japanese fleet capable of defeating the combined Asiatic and Pacific American fleets at their normal strength must include battleships and armored cruisers, and should, to be effective, be confined to ships of wide steaming radius. As things now are, once a Japanese fleet sailing eastward left Japan it would have no place to coal, except at sea, until it secured a foothold on American territory, or returned to Japan. No Japanese battleship, and but few of the larger cruisers, can carry enough coal to cross the

sailing route between Honolulu and San Francisco, cruise there for a time, and return to Japan without exercising great economy: and this would make the outbound voyage somewhat slow. It is not probable, therefore, that a Japanese fleet of any magnitude could intercept commerce between America and Hawaii until ten days after hostilities commenced, which is the time I have allowed for our Government to send reinforcements. It should be remembered, in this connection, that by fast steaming (for coal economy is no object here) a transport can get from San Francisco to Honolulu in six days, and some of the Pacific Mail liners can make it in less time. It seems, then, that only gross negligence and sloth on the part of American authorities could prevent the assembly in Hawaii of a force of 25,000 troops, with supplies for several months, before a Japanese naval force could interrupt its transport.

Should this reinforcement be accomplished, the problem takes another aspect. Any Japanese attack directed against Hawaii must now be prepared to encounter this American force, which we will assume to be isolated by withdrawal of the American naval force, except possibly some sub-marines, to the Pacific coast, there to await reinforcement from the Atlantic fleet. For the work of reducing and occupying fortified positions held by 25,000 American troops, perhaps aided by a few thousand Hawaiian volunteers, a Japanese army of at least 50,000 would be required. This large army must be brought from Japan under convoy, for it would be quite possible for fast American cruisers to intercept the transport fleet, which would necessarily be large and unwieldy, and perhaps inflict serious loss.

Two chief factors are involved in this undertaking — the means employed and the time required. The means

for transport must be the Japanese merchant marine, and to convey a large army and its impedimenta many ships are needed. In time of peace the Japanese merchant marine is somewhat widely distributed. Japanese shipping lines using ships of considerable tonnage are chiefly those which ply to Europe, America and Australia, requiring long voyages. Of the 400,000 aggregate tonnage of the Japanese steam merchant marine, three-fourths is in vessels of less than 3,000 tons, usually engaged in Far Eastern coastwise trade, and thus easily mobilized. Without giving further details which apply to this proposition, it safely may be stated that it is not possible quickly to find marine transport in Japan for 50,000 troops, or half that number, without employing many of these little ships. Such vessels primarily are built with a view to economy in operation, and as they are not designed for long voyages, as a rule, their coal carrying capacity is small and their speed slow. The average Japanese coaster has a speed of about nine knots, often even less, on an economical basis. As the test of the strength of a chain is its weakest link, so the speed of a fleet is that of its slowest vessel. Since to land a Japanese force in Hawaii piecemeal would be to invite defeat in detachment, it would be necessary to transport a large army simultaneously. The problem is very different from that presented in Korea and Manchuria, where the marine transport resembled a ferry. It is probable that the average speed of any transport fleet conveying a Japanese army to Hawaii would not be more than eight knots an hour. From one of the ports in Japan which would be the rendezvous for such a fleet to the island of Oahu, on which Honolulu is situated, is about 4,000 nautical miles; which means that it would take a Japanese army twenty days to reach Hawaii from the time it actually sailed from Japan. So

if we assume that the Japanese army had been loaded into transports before war was declared (of which America would have ample notice, through mobilization of troops and ships, and other sources), three weeks would elapse before a Japanese soldier could land in Hawaii; three weeks for fortification and preparation. Those who may recall the feats in fortification sometimes accomplished by both armies in the American civil war within twenty-four hours or less, will realize that a good deal may be accomplished in three weeks.

Arriving at Oahu, the difficulties of landing would be presented. The island is small, and Honolulu and Pearl Harbor are the only good landing places. Leaving opposition out of consideration, if such an army and its impedimenta was landed in two weeks it would be a good job. Then it would have to settle down to take the American positions. It is not unreasonable to think that this task might occupy many weeks, even months. So it is a fair presumption that Honolulu and Pearl Harbor might hold out for three months after war was declared. Assuming this, another element enters the proposition.

This is the American navy. When the battleship fleet made its famous trip around the Horn it provided an object lesson. What was then accomplished can be done again if necessary, and before three months from a declaration of war between the United States and Japan had passed a fleet of American battleships could reach San Francisco, and effect a junction with the fleet already there. This would establish the numerical superiority of the American navy in Pacific waters, and there would be nothing to prevent it from proceeding to Hawaii and there offering battle to the Japanese fleet. Should the Japanese fleet be defeated, it could hardly escape annihilation, for it would be 4,000 miles from a base where repairs could be

made or whence reinforcement could come. And with the Japanese fleet annihilated, or even forced to relinquish control of Hawaiian waters, the Japanese army in Hawaii would be at America's mercy.

The considerations thus briefly enumerated lead me to believe that if there should be a war between Japan and the United States within five years Japan will make no serious attempt to occupy Hawaii, but will confine her endeavors to an attack upon the Philippines. And the task of defending the Philippines is different from that of defending Hawaii.

CHAPTER XXXVII

AMERICA'S POSITION IN THE PACIFIC— *Concluded*

POSITION OF THE PHILIPPINES—PRESENT INSECURITY—AMERICAN TROOPS IN THE ISLANDS—PROBLEM OF THEIR REINFORCEMENT—POSSIBILITY OF A PROLONGED WAR—NON-MILITARY FACTORS—COMPARATIVE INCREASE OF NAVAL ARMAMENTS—NAVAL CONSTRUCTION IN THE UNITED STATES—FINANCE AND ECONOMICS—EUROPEAN SYMPATHY—THE ATTITUDE OF ENGLAND—JAPAN'S DISADVANTAGES—THE SECOND PERIOD—A BREATHING SPELL—PREPAREDNESS AN ASSURANCE OF PEACE—DEADLOCK ABOUT AN EASTERN NAVAL BASE—REASONS FOR THIS—A QUESTION OF SITES—PROCRASTINATION DANGEROUS—ECONOMIES OF THE PROPOSITION—A NEW AMERICAN NAVAL POLICY—AMERICA'S RESPONSIBILITY.

THE elements involved in a Japanese attack upon the Philippines are the same as would be employed against Hawaii, with exception of the geographical factor. Manila is about 1800 miles from Japan's military and naval bases, and is more than 5,000 miles from San Francisco. So no possible celerity of reinforcement, unless it was begun long before a breach occurred, could get American troops to the Philippines before a Japanese army could be landed there, and with Japan in command of Asiatic waters reinforcements could not be dispatched after war had commenced. There are now about 12,000 American troops in the Philippines, but these are widely distributed, and cannot now entirely be withdrawn for mobilization at any



A STREET IN ZAMBOANGA.



MORO CHILDREN.

point without permitting civil order in some localities to crumble. For the same reason the greater part of native scouts and constabulary cannot quickly be mobilized. While plans for a naval base at Olongapo or Cavite have been discussed for years, and some work on them has been accomplished, it is not now feasible to defend either place for more than a few weeks against a serious attack by land. Thus if war with Japan should come within the next few years, and its beginning find the greater part of the American navy in the Atlantic ocean, it will hardly be possible to prevent Japanese from occupying the Philippines, and Guam and Midway as well.

The United States would therefore be confronted from the beginning of such a war with the necessity of holding Hawaii, and then preparing to retake the Philippines. This would mean a prolonged and expensive conflict, for it need not be presumed that if the American people would ever enter upon such a war they would permit their Government to abandon it until victory was secured or the futility of further effort absolutely established. The problems which would face the naval and military authorities of the United States would be: first, to wrest naval control of Asiatic waters from Japan; second, to use this control, when secured, to blockade the coast of Japan as effectively as possible, so as to cripple her trade and industry, and prevent reinforcement and supply of any Japanese force in the Philippines; third, to dispatch enough troops to the Philippines to defeat the Japanese armies there and recover possession of the islands. While to accomplish this is by no means impossible, it would be a difficult undertaking, and probably would require two or three years to complete.

So prolonged a war would call into play factors not purely military, which are of vital consequence. Increase

of naval armament is one of these progressive factors. The comparative slowness of naval construction in America frequently has been pointed out as a weakness, but much of such criticism does not fully consider the circumstances. The United States Government does not give bonuses for quick construction as a rule, and where war ships are built by private companies it frequently happens that workmen will be taken off naval vessels and set to work upon ships for other uses, the reason being that Government work usually is not taken by shipwrights because it is profitable, but because it enables them to keep their workmen employed in dull times. Many who have studied the situation of ship-building in America hold the opinion that in emergency battleships can be built there as rapidly as anywhere except in England, and more rapidly than in Japan. Should the United States become involved in a war which turns upon naval supremacy, there is no doubt that every ship yard in America would become busy with Government work, stimulated to extraordinary celerity by bonuses. An estimate of comparative naval construction facilities of Japan and the United States which I recently saw calculates that during a war which may begin now or soon the American navy can be augmented twice as rapidly as can the Japanese navy. This matter has another bearing. Practically everything which enters into a modern fighting ship, and is involved in the manufacture of military equipment, can be supplied in any quantity in the United States. This is not the case in Japan. While Japanese are proud of the fact that Japan has constructed her new Dreadnaughts at home, much of the material needed to build them was imported. It will be some time before Japan is fully prepared to build a navy from keel to topmast for herself. In war such materials are contraband, and their importation might be limited, and perhaps stopped altogether.

But probably the more important factor in a prolonged war between these nations would be that of finance and internal economies. It is difficult to see how Japan can now sustain the financial and industrial strain of another great war, which might subject her domestic economies to a severe depression by cutting off raw materials necessary for her industries, depriving her products of markets abroad, and maybe even curtailing the food supply of her people. There are persons who pretend to believe, taking the idea, perhaps, from the disposition of European military and naval experts to predict disaster to American arms should we ever engage a formidable power, that European nations will sympathize with Japan in a conflict with us, from jealousy of our progress, and that this might enable Japan to finance a war. I accept no such view. Let anyone who does travel about the East and sound the sentiment of British and Europeans toward Japanese and Japan's Far Eastern policy. No! Europe may have her little jealousies and fears concerning us, but they are as nothing to sentiment involved in the question whether the white or yellow race shall dominate the future of civilization, which would be an issue of such a conflict, and the importance of maintaining friendly intercourse with America because of interdependent commercial and industrial affiliations. In such a war public sentiment and statesmanship in Europe would, I believe, be almost solidly arrayed with the United States.

Some commentators point to the fact that the Anglo-Japanese alliance requires England to support her ally should she be attacked, and argue that England would side against America. It is true that, viewed from a certain angle, the alliance seems to demand such action, and should England be arrayed against the United States in conjunction with Japan the whole problem would be al-

tered. We would lose the Philippines, but we would gain Canada, and be pleased with the exchange. Let none think that England will become Japan's cat's-paw in this matter. It is not conceivable that the United States ever will come into collision with Japan, or another nation in the East, except in defense of American interests in Asia which, by contravening existing international covenants, may be trampled upon by any of them, or because of disposition by any nation to dispute America's right to regulate her internal affairs. For instance, no reasonable interpretation of the Anglo-Japanese alliance can stretch it to invoke England's interference in the immigration issue between Japan and America, or in an issue which might arise between these nations concerning the "open door" in China. It is doubtful, when present disposition of Britishers toward it is considered, if the Anglo-Japanese alliance now has any real vitality. A feeling that Great Britain entered into this agreement without correctly estimating its possibilities is now noticeable in England, while the once popular pact is execrated by Britishers in the East, and frowned upon in the Antipodes. Apart from the alliance's loss of sentimental vitality, we may be assured that so long as Great Britain holds Canada and desires to retain that noble dominion she will remain neutral in any war between Japan and the United States, even if our alleged cousinship should prove a chimera.

So in estimating probabilities of a war with Japan, it appears that Japan's fiscal and economic situation, coupled with comparative naval weakness, gives reasonable assurance that she will not provoke a breach with the United States before several years have passed; and this brings us to the second period. The problem which will be presented in a war between Japan and the United States after five years depends almost entirely upon the course pur-

sued by our Government meanwhile. Unless the Washington administration and Congress fail in their plain duty, five years will find our navy substantially increased and on a more efficient status, military and naval bases in the Philippines, Hawaii and Guam fully equipped, and a practical scheme for defense of our possessions in the Pacific Ocean arranged. Such a condition will materially alter the situation, and will enable us to meet Japan or any other nation at so much greater vantage than we can do now that its very existence will be a substantial guarantee of peace. A base in the Philippines which can, if occasion demands, withstand a land attack for six months is needed.

The problem of defending a naval base in the Philippines turns upon several factors: the strength of the force which might be brought against it, the time which must elapse between the declaration of war and the investment, and difficulties which conditions and artifice may interpose between the enemy and his object. The time required to bring an army to attack a base in the Philippines is dependable upon its numbers, for a small force can more quickly be transported than a large one; while the obstacles will be modified by the same considerations and by the size and preparedness of the defending force. It is quite profitless in discussing these questions to assume, as many commentators do, that we will not upon the outbreak of a possible war be prepared to defend any base in these islands. To estimate and weigh probabilities it is necessary to assume that a base has been created, and that adequate provisions for its defense have been made. Unless this is assumed, it is useless to discuss advantages or disadvantages of this or that proposed site, for these must be estimated not so much for what they now are as by what can be made of them. So I will assume that should the United States after five

years become involved in a war with an Asiatic power it will have a naval base in the Philippines, and have made intelligent preparations for its defense.

Assuming this, it would be necessary for an enemy to make preparations accordingly, and in estimating factors applicable to the proposition we have the advantage of being able to turn to similar operations recently conducted by our only theoretically prospective opponent — Japan. It cannot reasonably be assumed that Japan will for many years be able to begin a war so well prepared as she was when war against Russia started. It is now known that she had mobilized troops and loaded them upon transports before negotiations were terminated; indeed, some actually were dispatched upon a hostile mission before diplomatic relations were severed. As an example of preparedness and celerity this hardly can be surpassed. The chief immediate object was to capture the Russian naval base and fortress at Port Arthur, which lies less than sixty hours away from Japan. With this fortunate proximity, together with the fact that land operations on the Kwang-tung peninsula present no extraordinary natural difficulties, and that a good landing place at Dalny was speedily acquired, the actual investment of Port Arthur did not begin until several months after hostilities commenced. By actual investment I mean when the Japanese army in force was in direct contact with outer defenses of the fortress. The loss of the Nanshan isthmus, and consequent cutting of railway communication with the north had, of course, practically isolated Port Arthur before this time; but the pressure upon its defenses had not begun. Ten months after war was declared the place was surrendered. It might have resisted for months longer; but when Japanese reached positions from where the fire of large guns could reach the

harbor, the value of the port as a naval base was destroyed.

It cannot reasonably be assumed that in a war with the United States Japan can now land a large army in the Philippines more quickly than she landed one on the Kwang-tung peninsula, or in Manchuria and Korea; in fact, the presumption is that more time will be required. The landing of such an army being made possible by the absence of a considerable American naval force from Asiatic waters, the length of time required to reduce a fortress will depend upon natural and artificial obstacles.

That the United States needs a fully equipped and well fortified naval base in the Far East has been recognized for years by those who have studied the situation, and that the present finds us without one is due to an interesting and rather extraordinary state of affairs. Naturally, such a base will be located in the Philippines, since these islands comprise our only territorial possessions in Asiatic waters, and afford many fairly satisfactory sites. When the islands were acquired from Spain we secured two so-called naval bases — those at Cavite and Olongapo. These yards were hardly worthy of the name in a modern sense, the facilities being limited to shops where minor repairs can be made. There was no dry dock at either place, although at Cavite small craft might be shored upon ways. Since then the important improvements have been erection of a coaling plant at Cavite, a similar plant at Olongapo, and placing of the floating dock *Dewey* at Olongapo. There have been additional quarters erected at Olongapo for the accommodation of officers and marines. On the whole, however, the work of improving these yards has stagnated, notwithstanding that with each passing year the need for proper facilities has become more pressing and important.

There are several reasons for this condition. The failure of Congress to make appropriations is one; but the real cause is failure of the War and Navy departments to agree upon a site. In 1902 a naval board was ordered to examine and report upon sites in the Philippines. Several were examined, but none except Cavite and Olongapo was seriously considered. The navy decided that Subig Bay, where Olongapo is situated, fulfils to a remarkable degree the natural requirements demanded. In time plans for an elaborate base at Olongapo were prepared, and have been waiting upon Congressional authorization. While Congress has been somewhat slow, perhaps reluctant to act in this matter, owing to uncertainty about our policy in the Philippines and failure to comprehend the importance of such a base, it is probable that the question of a site would have been decided before now and work definitely begun had not military and naval experts disagreed about it. Two factions sprang into existence; one favoring Olongapo, and the other Cavite. While each faction finds supporters in both the army and navy, it is generally true that the navy prefers Olongapo, while the army insists upon Cavite.

It is of greatest importance to the United States that the deadlock about the site be broken, and work on a naval base in the Philippines be begun without further delay. This controversy somewhat resembles that which for so many years retarded progress upon an isthmian canal. Experts agreed that both the Panama and Nicaragua routes are practicable, but they disagreed as to their comparative merits, with a result that for many years nothing was done. I do not wish to appear in the role of alarmist, but the situation in the East is such that to procrastinate in this matter is little short of criminal neglect of the nation's interests. The day may come, and

soon, when such a base will be worth ten Dreadnaughts to America; not necessarily in war, but as make-weight for peace. A chain of coaling stations stretching across the Pacific and linking America with a great fortress in the Far East may be likened to a strong arm extended with the fist at the western extremity, and presenting an obstacle which any enemy approaching America from that quarter must first overcome.

The economics of an American naval base in the Far East also should be considered. Armies and navies are, in modern times, international police, and police cannot perform their functions without equipment and stations. If our navy is to police our interests in the East it must have a station there. A proper station will cost millions, to be sure, but it should pay for itself within ten years in actual saving of dollars and cents. Before the drydock *Dewey* was brought to Olongapo it was necessary to send our naval vessels and army transports in eastern service to Hongkong or Nagasaki to be docked and overhauled. It has been estimated that already the *Dewey* has earned in the economy which her presence in the East makes possible more than half the cost of her construction and delivery there. At present vessels must be sent to the Atlantic or Pacific coast for serious repairs, thus increasing cost of maintenance. The recent discovery of a fairly good quality of steaming coal in the Philippines will result in another economy in maintenance of an American fleet in the East, and the Government is preparing to open mines. With a naval base and cheap coal, for which it does not have to depend upon foreign assistance not available in war, America's naval position in Asiatic waters will be such as to make our eastern possessions secure, and will give our navy an offensive potency in that part of the world which will make wishes of the nation respected there.

I think the United States Government should fundamentally alter its naval strategic policy. There seems small reason to doubt that until the Far Eastern situation passes the forthcoming crisis, and definitely settles upon a stable base, America's naval policy should be a Pacific Ocean policy. This probably is recognized at Washington, but there seems to be a disposition to wait for the change until the Panama canal is opened. Why wait? I think, and I know that some American naval experts have the same opinion, that the United States should keep its major battleship fleet on the Pacific coast until the canal is open, its strength to be increased in proportion to increase of the Japanese navy. This will assure security of Hawaii and the Philippines until naval bases there can be built and adequately fortified. Until it has defendable and properly equipped bases, to keep a large fleet in Asiatic waters is useless, even foolish. And to defend American interests in the East, our naval force should be able to take the aggressive if occasion demands.

Many Americans will, doubtless, be disposed to ask: "Why go to this trouble to defend possessions which we do not need? Why not solve the difficulty by giving them up?"

This question often has been heard in America in the past, and will be heard again in the future, but with diminishing frequency and less insistence. I have attempted to present some reasons involving broader interests of the nation, and its future economic progress, which will compel our attention to the course of events in the Pacific. The military answer to such questions is that it seems probable that eastern possessions, or at least a military foothold there, will be required for national security. In our possession they may serve as out-posts for our army and navy, where any attack coming from a wakened and

efficient Orient may be met and held. In Oriental possession they would make a path by which our own coast more easily can be reached. To those who are offended by all consideration of armaments, and who object on principle to expenditure of national revenue for such purposes, it may be said that as society has not yet reached that condition when it can dispense with police, so have not nations attained a comity when international police are unnecessary. Some oppose our retaining a battleship fleet in the Pacific on the ground that its presence there may embroil the United States with an Oriental nation or may provoke a war. This is like assuming that the presence of a policeman is likely to foment disorder, for I presume no one thinks that an American fleet will be wantonly aggressive anywhere. In my judgment, within the next five years to strip the Pacific of adequate naval force is like giving the police or firemen of a city a holiday and hoping there will be no need for their services. A strong American policy in the Pacific should have the effect of giving steadiness and stability to the Eastern situation, thus supplying a powerful influence for peace.

I cannot agree with those who seem to assume that care and effort of the United States to assure to American interests an equitable and advantageous share in development of the East is unbecoming, and involves an offense against either the inhabitants of those regions or the broad interests of humanity. The purposes and dealings of our nation and people are as just and beneficial as others likely to be applied to these propositions, and aspiration on our part to take a position in the world to which our progress and ideals entitle us is legitimate. Whether we wish it or not, we cannot escape increasing contact with Oriental nations and peoples, and it should

not be assumed that our closer relations with them will be to their disadvantage. On the contrary, American activity, enterprise and influence, when representative of our institutions, are, if applied to Oriental countries, likely to be as beneficial to Governments and natives of those countries, and to all persons who reside there, as similar activities of other nations. While Americans pretend no altruistic motive in extending their national interests in the East, beyond the fact that they are pressed in a spirit of friendly reciprocity, I believe that the East will benefit more by extensive relations with us than we will through relations with it. The great wealth of the United States, and the energy and intelligence of our people, combine to give our Government enormous power in promoting its national interests throughout the world, and should it fail to accomplish what reasonably may be expected of it, the American people sternly will hold it to account. Of wider problems which confront our nation, the question of its present and future position in the Pacific Ocean, and its security, is second to none.

APPENDIX

The text of appended treaties, agreements and conventions is as given in W. W. Rockhill's compilation of treaties with or concerning China and Korea (1894-1904), and in supplements to that volume officially published by the United States Government (1908). Appendix L is an unofficial copy, obtained, however, from semi-official sources.

APPENDIX A.

TREATY OF PEACE BETWEEN JAPAN AND RUSSIA.

Signed at Portsmouth (New Hampshire), September 5 [Russian calender], 1905. Ratifications exchanged at Washington, November 25, 1905.

His Majesty the Emperor of Japan on the one part, and His Majesty the Emperor of all the Russias on the other part, animated by the desire to restore the blessings of peace to Their countries and peoples, have resolved to conclude a Treaty of Peace, and have, for this purpose, named Their Plenipotentiaries, that is to say;

His Majesty the Emperor of Japan:

His Excellency Baron Komura Jutaro, Jusammi, Grand Cordon of the Imperial Order of the Rising Sun, His Minister for Foreign Affairs, and

His Excellency M. Takahira Kogoro, Jusammi, Grand Cordon of the Imperial Order of the Sacred Treasure, His Envoy Extraordinary and Minister Plenipotentiary to the United States of America; and

His Majesty the Emperor of all the Russias:

APPENDIX

His Excellency M. Serge Witte, His Secretary of State and President of the Committee of Ministers of the Empire of Russia, and

His Excellency Baron Roman Rosen, Master of the Imperial Court of Russia and His Ambassador Extraordinary and Plenipotentiary to the United States of America;

Who, after having exchanged their full powers which were found to be in good and due form, have concluded the following Articles:

ARTICLE I.

There shall henceforth be peace and amity between Their Majesties the Emperor of Japan and the Emperor of all the Russias and between Their respective States and subjects.

ARTICLE II.

The Imperial Russian Government, acknowledging that Japan possesses in Korea paramount political, military and economical interests, engage neither to obstruct nor interfere with the measures of guidance, protection and control which the Imperial Government of Japan may find it necessary to take in Korea.

It is understood that Russian subjects in Korea shall be treated exactly in the same manner as the subjects or citizens of other foreign Powers, that is to say, they shall be placed on the same footing as the subjects or citizens of the most favoured nation.

It is also agreed that, in order to avoid all cause of misunderstanding, the two High Contracting Parties will abstain, on the Russo-Korean frontier, from taking any military measure which may menace the security of Russian or Korean territory.

ARTICLE III.

Japan and Russian mutually engage:

1. To evacuate completely and simultaneously Manchuria except the territory affected by the lease of the Liao-tung Peninsula, in conformity with the provisions of additional Article I. annexed to this Treaty; and

2. To restore entirely and completely to the exclusive adminis-

tration of China all portions of Manchuria now in the occupation or under the control of the Japanese or Russian troops, with the exception of the territory above mentioned.

The Imperial Government of Russia declare that they have not in Manchuria any territorial advantages or preferential or exclusive concessions in impairment of Chinese sovereignty or inconsistent with the principle of equal opportunity.

ARTICLE IV.

Japan and Russia reciprocally engage not to obstruct any general measures common to all countries, which China may take for the development of the commerce and industry of Manchuria.

ARTICLE V.

The Imperial Russian Government transfer and assign to the Imperial Government of Japan, with the consent of the Government of China, the lease of Port Arthur, Taliens and adjacent territory and territorial waters and all rights, privileges and concessions connected with or forming part of such lease, and they also transfer and assign to the Imperial Government of Japan all public works and properties in the territory affected by the above mentioned lease.

The two High Contracting Parties mutually engage to obtain the consent of the Chinese Government mentioned in the foregoing stipulation.

The Imperial Government of Japan on their part undertake that the proprietary rights of Russian subjects in the territory above referred to shall be perfectly respected.

ARTICLE VI.

The Imperial Russian Government engage to transfer and assign to the Imperial Government of Japan, without compensation and with the consent of the Chinese Government, the railway between Chang-chun (Kuan-cheng-tze) and Port Arthur and all its branches, together with all rights, privileges and properties appertaining thereto in that region, as well as coal mines in the said region belonging to or worked for the benefit of the railway.

The two High Contracting Parties mutually engage to obtain the consent of the Government of China mentioned in the foregoing stipulation.

ARTICLE VII.

Japan and Russia engage to exploit their respective railways in Manchuria exclusively for commercial and industrial purposes and in no wise for strategic purposes.

It is understood that that restriction does not apply to the railway in the territory affected by the lease of the Liao-tung Peninsula.

ARTICLE VIII.

The Imperial Governments of Japan and Russia, with a view to promote and facilitate intercourse and traffic, will, as soon as possible, conclude a separate convention for the regulation of their connecting railway service in Manchuria.

ARTICLE IX.

The Imperial Russian Government cede to the Imperial Government of Japan in perpetuity and full sovereignty, the southern portion of the Island of Saghalien and all islands adjacent thereto, and all public works and properties thereon. The fiftieth degree of north latitude is adopted as the northern boundary of the ceded territory. The exact alignment of such territory shall be determined in accordance with the provisions of additional Article II. annexed to this Treaty.

Japan and Russia mutually agree not to construct in their respective possessions on the Island of Saghalien or the adjacent islands, any fortifications or other similar military works. They also respectively engage not to take any military measures which may impede the free navigation of the Straits of La Perouse and Tartary.

ARTICLE X.

It is reserved to the Russian subjects inhabitants of the territory ceded to Japan, to sell their real property and retire to their coun-

try; but, if they prefer to remain in the ceded territory, they will be maintained and protected in the full exercise of their industries and rights of property, on condition of submitting to Japanese laws and jurisdiction. Japan shall have full liberty to withdraw the right of residence in, or to deport from, such territory, any inhabitants who labour under political or administrative disability. She engages, however, that the proprietary rights of such inhabitants shall be fully respected.

ARTICLE XI.

Russia engages to arrange with Japan for granting to Japanese subjects rights of fishery along the coasts of the Russian possessions in the Japan, Okhotsk and Behring Seas.

It is agreed that the foregoing engagement shall not affect rights already belonging to Russian or foreign subjects in those regions.

ARTICLE XII.

The Treaty of Commerce and Navigation between Japan and Russia having been annulled by the war, the Imperial Governments of Japan and Russia engage to adopt as the basis of their commercial relations, pending the conclusion of a new treaty of commerce and navigation on the basis of the Treaty which was in force previous to the present war, the system of reciprocal treatment on the footing of the most favoured nation, in which are included import and export duties, customs formalities, transit and tonnage dues, and the admission and treatment of the agents, subjects and vessels of one country in the territories of the other.

ARTICLE XIII.

As soon as possible after the present Treaty comes into force, all prisoners of war shall be reciprocally restored. The Imperial Governments of Japan and Russia shall each appoint a special Commissioner to take charge of prisoners. All prisoners in the hands of one Government shall be delivered to and received by the Commissioner of the other Government or by his duly authorized representative, in such convenient numbers and at such convenient

ports of the delivering State as such delivering State shall notify in advance to the Commissioner of the receiving State.

The Governments of Japan and Russia shall present to each other, as soon as possible after the delivery of prisoners has been completed, a statement of the direct expenditures respectively incurred by them for the care and maintenance of prisoners from date of capture or surrender up to the time of death or delivery. Russia engages to repay to Japan, as soon as possible after the exchange of the statements as above provided, the difference between the actual amount so expended by Japan and the actual amount similarly disbursed by Russia.

ARTICLE XIV.

The present Treaty shall be ratified by Their Majesties the Emperor of Japan and the Emperor of all the Russias. Such ratification shall, with as little delay as possible and in any case not later than fifty days from the date of the signature of the Treaty, be announced to the Imperial Governments of Japan and Russia respectively through the French Minister in Tokyo and the Ambassador of the United States in Saint-Petersburg and from the date of the later of such announcements this Treaty shall in all its parts come into full force.

The formal exchange of the ratification shall take place at Washington as soon as possible.

ARTICLE XV.

The present Treaty shall be signed in duplicate in both the English and French languages. The texts are in absolute conformity, but in case of discrepancy in interpretation, the French text shall prevail.

In witness whereof the respective Plenipotentiaries have signed and affixed their seals to the present Treaty of Peace.

Done at Portsmouth (New Hampshire) this fifth day of the ninth month of the thirty-eighth year of *Meiji*, corresponding to the twenty-third day of August (fifth September) one thousand nine hundred and five.

(Signed) SERGE WITTE, [L.S.]

(Signed) ROSEN. [L.S.]

(Signed) JUTARO KOMURA. [L.S.]

(Signed) K. TAKAHIRA. [L.S.]

In conformity with the provisions of Articles III and IX of the Treaty of Peace between Japan and Russia of this date, the undersigned Plenipotentiaries have concluded the following additional Article:

I. To ARTICLE III.

The Imperial Governments of Japan and Russia mutually engage to commence the withdrawal of their military forces from the territory of Manchuria simultaneously and immediately after the Treaty of Peace comes into operation, and within a period of eighteen months from that date, the Armies of the two countries shall be completely withdrawn from Manchuria except from the leased territory of the Liao-tung Peninsula.

The forces of the two countries occupying the front positions shall be first withdrawn.

The High Contracting Parties reserve to themselves the right to maintain guards to protect their respective railway lines in Manchuria. The number of such guards shall not exceed fifteen per kilometre and within that maximum number, the Commanders of the Japanese and Russian Armies shall, by common accord, fix the number of such guards to be employed, as small as possible having in view the actual requirements.

The Commanders of the Japanese and Russian forces in Manchuria shall agree upon the details of the evacuation in conformity with the above principles, and shall take by common accord the measures necessary to carry out the evacuation as soon as possible and in any case not later than the period of eighteen months.

II. To ARTICLE IX.

As soon as possible after the present Treaty comes into force, a Commission of Delimitation, composed of an equal number of members to be appointed respectively by the two High Contracting Parties, shall on the spot, mark in a permanent manner the exact boundary between the Japanese and Russian possessions on

the Island of Saghalien. The Commission shall be bound, so far as topographical considerations permit, to follow the fiftieth parallel of north latitude as the boundary line, and in case any deflections from that line at any points are found to be necessary, compensation will be made by correlative deflections at other points. It shall also be the duty of the said Commission to prepare a list and description of the adjacent islands included in the cession and finally the Commission shall prepare and sign maps showing the boundaries of the ceded territory. The work of the Commission shall be subject to the approval of the High Contracting Parties.

The foregoing additional Articles are to be considered as ratified with the ratification of the Treaty of Peace to which they are annexed.

Portsmouth, the 5th day, 9th month, 38th year of Meiji, corresponding to the } 23rd August,
5th September, } 1905.

(Signed) SERGE WITTE.
(Signed) ROSEN.

(Signed) J. KOMURA.
(Signed) K. TAKAHIRA.

APPENDIX B.

CONVENTION BETWEEN JAPAN AND RUSSIA.

SIGNED JULY 30, 1907.

The Government of his Majesty the Emperor of Japan and the Government of his Majesty the Emperor of All the Russias, desiring to consolidate the relations of peace and good neighbourhood which have happily been re-established between Japan and Russia, and wishing to remove for the future every cause of misunderstanding in the relations of the two Empires, have agreed to the following arrangements:—

Art. I.—Each of the High Contracting Parties engages to respect the actual territorial integrity of the other, and all the rights accruing to one and the other Party from treaties, conventions and contracts in force between them and China, copies of which have

been exchanged between the Contracting Parties (in so far as these rights are not incompatible with the principle of equal opportunity) of the Treaty signed at Portsmouth on the 5th day of September (23rd of August) 1905, as well as the special conventions concluded between Japan and Russia.

Art. II.—The two High Contracting Parties recognise the independence and the territorial integrity of the Empire of China and the principle of equal opportunity in whatever concerns the commerce and industry of all nations in that empire, and engage to sustain and defend the maintenance of the *status quo* and respect for this principle by all the pacific means within their reach.

In witness whereof, the undersigned, duly authorized by their respective Governments, have signed this Convention and have affixed their seals.

Done at St. Petersburg, the 30th day of the 7th month of the 40th year of *Meiji*, corresponding to the 30th (17th) of July 1907.

(Signed) I. MOTONO.
(Signed) ISWOLSKY.

APPENDIX C.

TREATY AND ADDITIONAL AGREEMENT BE- TWEEN JAPAN AND CHINA RELATING TO MANCHURIA.

SIGNED AT PEKING, DECEMBER 22, 1905.

RATIFICATIONS EXCHANGED AT PEKING, JANUARY 23, 1906.

[Translation.]

His Majesty the Emperor of Japan and His Majesty the Emperor of China, desiring to adjust certain matters of common concern growing out of the Treaty of Peace between Japan and Russia of September 5th, 1905, have resolved to conclude a Treaty with that object in view and have for that purpose named Their Plenipotentiaries, that is to say:

His Majesty the Emperor of Japan:

APPENDIX

Baron Komura Jutaro, Jusammi, Grand Cordon of the Imperial Order of the Rising Sun, Minister for Foreign Affairs and Special Ambassador of His Majesty, and

Uchida Yasuya, Jushii, Second Class of the Imperial Order of the Rising Sun, His Majesty's Envoy Extraordinary and Minister Plenipotentiary; and

His Majesty the Emperor of China:

Prince Ching, Presiding Minister for Foreign Affairs, Councillor of State and Plenipotentiary of His Majesty,

Chu Hung-chi Minister for Foreign Affairs, Councillor of State and Plenipotentiary of His Majesty, and

Yuan Shih-Kai, Viceroy of the Province of Chihli, Junior Guardian of the Heir-Apparent, Minister Superintendent of Trade for the Northern Ports and Plenipotentiary of His Majesty;

Who, after having exchanged their full powers which were found to be in good and due form, have agreed upon and concluded the following Articles:

ARTICLE I.

The Imperial Chinese Government consent to all the transfers and assignments made by Russia to Japan by Articles V and VI of the Treaty of Peace above mentioned.

ARTICLE II.

The Imperial Japanese Government engage that in regard to the leased territory as well as in the matter of railway construction and exploitation, they will, so far as circumstances permit, conform to the original agreements concluded between China and Russia. In case any question arises in the future on these subjects, the Japanese Government will decide it in consultation with the Chinese Government.

ARTICLE III.

The present Treaty shall come into full force from the date of signature. It shall be ratified by Their Majesties the Emperor of Japan and the Emperor of China and the ratifications shall be ex-

changed at Peking as soon as possible, and not later than two months from the present date.

In witness whereof, the respective Plenipotentiaries have signed this Treaty in duplicate in the Japanese and Chinese languages and have thereto affixed their seals.

Done at Peking, this twenty-second day of the twelfth month of the thirty-eighth year of *Meiji*, corresponding to the twenty-sixth day of the eleventh moon of the thirty-first year of *Kuang Hsü*.

(Signed) BARON KOMURA JUTARO, [L.S.]

*Jusammi, Grand Cordon of the Imperial Order
of the Rising Sun, Minister for Foreign Af-
fairs and Special Ambassador of His Majesty
the Emperor of Japan.*

(Signed) UCHIDA YASUYA, [L.S.]

*Jushii, Second Class of the Imperial Order of
the Rising Sun, Envoy Extraordinary and Min-
ister Plenipotentiary of His Majesty the Em-
peror of Japan.*

(Signed) PRINCE CHING, [L.S.]

*Presiding Minister for Foreign Affairs, Coun-
cillor of State and Plenipotentiary of His Maj-
esty the Emperor of China.*

(Signed) CHU HUNG-CHI, [L.S.]

*Minister for Foreign Affairs, Councillor of State
and Plenipotentiary of His Majesty the Em-
peror of China.*

(Signed) YUAN SHIH-KAI, [L.S.]

*Viceroy of the Province of Chihli, Junior Guar-
dian of the Heir-Apparent, Minister Superin-
tendent of Trade for the Northern Ports and
Plenipotentiary of His Majesty the Emperor
of China.*

The Governments of Japan and China, with a view to regulate, for their guidance, certain questions in which they are both interested in Manchuria, in addition to those provided for in the Treaty signed this day, have agreed as follows:

ARTICLE I.

The Imperial Chinese Government agree that as soon as possible after the evacuation of Manchuria by the Japanese and Russian forces, the following cities and towns in Manchuria will be opened by China herself as places of international residence and trade:

In the Province of Shingking:

Fengwangcheng; Liaoyang; Hsinmintum; Tieling; Tung-kiangtzu and Fakumen.

In the Province of Kirin:

Changchun (Kuanchengtze); Kirin; Harbin; Ninguta; Hunchun and Sanhsing.

In the Province of Heilungkiang:

Tsitsihar; Hailar, Aihun and Manchuli.

ARTICLE II.

In view of the earnest desire expressed by the Imperial Chinese Government to have the Japanese and Russian troops and railway guards in Manchuria withdrawn as soon as possible, and in order to meet this desire, the Imperial Japanese Government, in the event of Russia agreeing to the withdrawal of her railway guards, or in case other proper measures are agreed to between China and Russia, consent to take similar steps accordingly. When tranquillity shall have been reestablished in Manchuria and China shall have become herself capable of affording full protection to the lives and property of foreigners, Japan will withdraw her railway guards simultaneously with Russia.

ARTICLE III.

The Imperial Japanese Government, immediately upon the withdrawal of their troops from any regions in Manchuria, shall notify the Imperial Chinese Government of the regions thus evacuated, and even within the period stipulated for the withdrawal of troops in the Additional Articles of the Treaty of Peace between Japan and Russia, the Chinese Government may send necessary troops to the evacuated regions of which they have been already notified as

above mentioned, for the purpose of maintaining order and tranquillity in those regions. If, in the regions from which Japanese troops have not yet been withdrawn, any villages are disturbed or damaged by native bandits, the Chinese local authorities may also dispatch a suitable military force for the purpose of capturing or dispersing those bandits. Such troops, however, shall not proceed within twenty Chinese li from the boundary of the territory where Japanese troops are stationed.

ARTICLE IV.

The Imperial Government of Japan engage that Chinese public and private property in Manchuria, which they have occupied or expropriated on account of military necessity, shall be restored at the time the Japanese troops are withdrawn from Manchuria and that such property as is no longer required for military purposes shall be restored even before such withdrawal.

ARTICLE V.

The Imperial Chinese Government engage to take all necessary measures to protect fully and completely the grounds in Manchuria in which the tombs and monuments of the Japanese officers and soldiers who were killed in war are located.

ARTICLE VI.

The Imperial Chinese Government agree that Japan has the right to maintain and work the military railway line constructed between Antung and Moukden and to improve the said line so as to make it fit for the conveyance of commercial and industrial goods of all nations. The term for which such right is conceded is fifteen years from the date of the completion of the improvements above provided for. The work of such improvements is to be completed within two years, exclusive of a period of twelve months during which it will have to be delayed owing to the necessity of using the existing line for the withdrawal of troops. The term of the concession above mentioned is therefore to expire in the 49th year of Kuang Hsü. At the expiration of that term, the said railway shall be sold to China at a price to be determined by appraisement of all

its properties by a foreign expert who will be selected by both parties. The conveyance by the railway of the troops and munitions of war of the Chinese Government prior to such sale shall be dealt with in accordance with the regulations of the Eastern Chinese Railway. Regarding the manner in which the improvements of the railway are to be effected, it is agreed that the person undertaking the work on behalf of Japan shall consult with the Commissioner dispatched for the purpose by China. The Chinese Government will also appoint a Commissioner to look after the business relating to the railway as is provided in the Agreement relating to the Eastern Chinese Railway. It is further agreed that detailed regulations shall be concluded regarding the tariffs for the carriage by the railway of the public and private goods of China.

ARTICLE VII.

The Governments of Japan and China, with a view to promote and facilitate intercourse and traffic, will conclude, as soon as possible, a separate convention for the regulation of connecting services between the railway lines in South Manchuria and all the other railway lines in China.

ARTICLE VIII.

The Imperial Chinese Government engage that all materials required for the railways in South Manchuria shall be exempt from all duties, taxes and likin.

ARTICLE IX.

The methods of laying out the Japanese Settlement at Yingkou in the Province of Shingking, which has already been opened to trade, and at Antung and Moukden in the same Province, which are still unopen although stipulated to be opened, shall be separately arranged and determined by officials of Japan and China.

ARTICLE X.

The Imperial Chinese Government agree that a joint-stock company of forestry composed of Japanese and Chinese capitalists shall

be organized for the exploitation of the forests in the regions on the right bank of the River Yalu and that a detailed agreement shall be concluded in which the area and term of the concession as well as the organization of the company and all regulations concerning the joint work of exploitation shall be provided for. The Japanese and Chinese shareholders shall share equally in the profits of the undertaking.

ARTICLE XI.

The Governments of Japan and China engage that in all that relates to frontier trade between Manchuria and Corea most favoured nation treatment shall be reciprocally extended.

ARTICLE XII.

The Governments of Japan and China engage that in all matters dealt with in the Treaty signed this day or in the present Agreement the most favourable treatment shall be reciprocally extended.

The present Agreement shall take effect from the date of signature. When the Treaty signed this day is ratified, this Agreement shall also be considered as approved.

In witness whereof, the Undersigned, duly authorized by their respective Governments, have signed the present Agreement in duplicate in the Japanese and Chinese languages and have thereto affixed their seals.

Done at Peking, this 22nd day of the 12th month of the 38th year of Meiji, corresponding to the 26th day of the 11th moon of the 31st year of Kuang Hsü.

(Signed) BARON KOMURA JUTARO, [L.S.]

Jusammi, Grand Cordon of the Imperial Order of the Rising Sun, Minister for Foreign Affairs and Special Ambassador of His Majesty the Emperor of Japan.

(Signed) UCHIDA YASUYA, [L.S.]

Jushii, Second Class of the Imperial Order of the Rising Sun, Envoy Extraordinary and Minister Plenipotentiary of His Majesty the Emperor of Japan.

(Signed) PRINCE CHING, [L.S.]

Presiding Minister for Foreign Affairs, Councillor of State and Plenipotentiary of His Majesty the Emperor of China.

(Signed) CHU HUNG-CHI, [L.S.]

Minister for Foreign Affairs, Councillor of State and Plenipotentiary of His Majesty the Emperor of China.

(Signed) YUAN SHIH-KAI, [L.S.]

Viceroy of the Province of Chihli, Junior Guardian of the Heir-Apparent, Minister Superintendent of Trade for the Northern Ports and Plenipotentiary of His Majesty the Emperor of China.

APPENDIX D.

SUMMARY OF SECRET PROTOCOLS TO PEKING TREATY OF DECEMBER 22D, 1905.

The following was communicated by the Japanese Minister for Foreign Affairs to Mr. Wilson, Chargé d'Affaires of the United States at Tokyo, and by him transmitted to the Department of State under date February 16, 1906, as a summary of certain protocols to the Peking Agreement signed by the plenipotentiaries of Japan and China:

Whereas the protocols of the Conference recently held between the Plenipotentiaries of Japan and China with regard to Manchuria are to be kept strictly secret in deference to the desire of the Chinese Government, only such portions of those Protocols as possess the character of executory agreements are given in the following summary:

1. The railway between Changchun and Kirin will be constructed by China with capital to be raised by herself. She, however, agrees to borrow from Japan the insufficient amount of capital, which amount being about one-half of the total sum required. The contract concerning the loan shall, in due time, be concluded, following, *mutatis mutandis*, the loan contract entered into between the board of the Imperial Railways of North China

and the Anglo-Chinese Syndicate. The term of the loan shall be twenty-five years, redeemable in yearly installments.

2. The military railway constructed by Japan between Moukden and Hsinmintun shall be sold to China at a price to be fairly determined in consultation by Commissioners appointed for the purpose by the two Governments. China engages to reconstruct the line, making it her own railway, and to borrow from a Japanese corporation or corporations one-half of the capital required for the portion of the line east of Liao-ho for a term of eighteen years repayable in yearly installments, and a contract shall be concluded, for the purpose following, *mutatis mutandis*, the loan contract entered into between the Board of the Imperial Railways of North China and the Anglo-Chinese Syndicate.

All the other military railways in different localities shall be removed with the evacuation of the regions.

3. The Chinese Government engage, for the purpose of protecting the interests of the South Manchurian Railway, not to construct, prior to the recovery by them of the said railway, any main line in the neighborhood of and parallel to that railway, or any branch line which might be prejudicial to the interest of the above-mentioned railway.

4. China declares that she will adopt sufficient measures for securing Russia's faithful observance of the Russo-Chinese treaties with regard to the railways which Russia continues to possess in the northern part of Manchuria, and that it is her intention, in case Russia acts in contravention of such treaty stipulations, to approach her strongly with a view to have such action fully rectified.

5. When in the future, negotiations are to be opened between Japan and Russia for regulation of the connecting railway services (Article VIII of the Treaty of Peace between Japan and Russia), Japan shall give China previous notice. China shall communicate to Russia her desire to take part in the negotiations through commissioners to be despatched by her on the occasion, and Russia consenting shall participate in such negotiations.

6. With regard to the mines in the Province of Feng-tien, appertaining to the railway, whether already worked or not, fair and detailed arrangements shall be agreed upon for mutual observance.

7. The affairs relating to the connecting services as well as those of common concern in respect of the telegraph lines in the Province of Feng-tien and the cables between Port Arthur and Yen-tai shall be arranged from time to time as necessity may arise in consultation between the two countries.

8. The regulations respecting the places to be opened in Manchuria, shall be made by China herself, but the Japanese Minister at Peking must be previously consulted regarding the matter.

9. If no objection be offered on the part of Russia respecting to the navigation of the Sungari (by Japanese vessels), China shall consent to such navigation after negotiations.

10. The Chinese Plenipotentiaries declare that immediately after the withdrawal of the Japanese and Russian troops from Manchuria, China will proceed to take, in virtue of her sovereign right, full administrative measures to guarantee peace in that region and endeavor, by the same right, to promote good and remove evil as well as steadily to restore order, so that the residents of that region, natives and foreigners, may equally enjoy the security of life and occupation under the perfect protection of the Chinese Government. As to the means of restoring order, the Chinese Government are to take by themselves all adequate measures.

11. While relations of intimate friendship subsisted as at the present time between China and Japan, Japan and Russia had unfortunately engaged in war and fought in the territory of China. But peace has now been reestablished and hostilities in Manchuria have ceased. And while it is undeniable that Japanese troops, before their withdrawal, have the power of exercising the rights accruing from military occupation, the Chinese Government declare that certain Japanese subjects in Manchuria have recently been observed to sometimes interfere with the local Chinese administration and to inflict damage to public and private property of China.

The Japanese Plenipotentiaries, considering that, should such interference and infliction of damage have been carried beyond military necessity, they are not proper acts, declare that they will communicate the purport of the above declaration of the Chinese Government to the Government of Japan, so that proper steps may be taken for controlling Japanese subjects in the Province of Feng-

tien and promote the friendly relations between the two nations, and also for preventing them in future, from interfering with the Chinese administration or inflicting damage to public or private property without military necessity.

12. In regard to any public or private property of China which may have been purposely destroyed or used by Japanese subjects without any military necessity, the Governments of the two countries shall respectively make investigations and cause fair reparation to be made.

13. When the Chinese local authorities intend to despatch troops for the purpose of subduing native bandits in the regions not yet completely evacuated by Japanese troops, they shall not fail to previously consult with the Commander of the Japanese troops stationed in those regions so that all misunderstandings may be avoided.

14. The Japanese Plenipotentiaries declare that the Railway Guards stationed between Chang-chun and the boundary line of the leased territory of Port Arthur and Talien [Dalny], shall not be allowed, before their withdrawal, to unreasonably interfere with the local administration of China or to proceed without permission beyond the limits of the railway.

15. Chinese local authorities, who are to reside at Inkou, shall be allowed, even before the withdrawal of the Japanese troops, to proceed to that place and transact their official business. The date of their departure is to be determined, as soon as possible after the definite conclusion of this Treaty, by the Japanese Minister to China in consultation with the Waiwupu. As there is still in that place a considerable number of Japanese troops, quarantine regulations as well as regulations for the prevention of contagious diseases shall be established by the authorities of the two countries in consultation with each other so that epidemics may be avoided.

16. The revenue of the Maritime Customs at Yin Kou [Newchwang] shall be deposited with the Yokohama Specie Bank and delivered to the Chinese local authorities at the time of evacuation. As to the revenue of the native Customs at that place and the taxes and imposts at all other places, which are to be appropriated for local expenditures, a statement of receipts and expendi-

tures shall be delivered to the Chinese local authorities at the time of evacuation.

NOTE.

In regard to the foregoing, see No. I-B (?), Information Series, Far East, being a memorandum of a conversation of January 28, 1908, in the course of which Tang Shao-yi, Governor of the Province of Fengtien, who signed the Peking Agreement, categorically denied the existence of any clause debarring China from paralleling the South Manchurian Railroad. Tang Shao-yi further gave distinct assurance that there was no secret agreement between Japan and China and that all the Legations had been apprised of this fact upon the conclusion of the Komura negotiations. Tang-shao-yi intimated that an agreement that China should not parallel the Japanese railroad had been sought and discussed, but not made, and implied that such discussion appeared in the signed minutes of the conference, the inference being that there was absolutely no agreement but simply evidence of a discussion of this subject.

APPENDIX E.

REORGANIZATION OF THE MANCHURIAN PROVINCES.

Imperial Edict of April 20, 1907.
[Translation.]

The government of the Three Eastern Provinces (Manchuria) has become antiquated, and the condition of the people is one of poverty. It becomes urgently necessary therefore to conscientiously undertake a thorough reorganization of these provinces to get rid of long-standing abuses, and to define the responsibilities of officials.

The Tartar Generalship of Shengking is hereby changed to the Viceroyship of the Three Manchurian Provinces, and to this post are added the functions of the Tartar Generals of these three provinces. The incumbent of the post will have an office in each of the three provinces and reside in each of them in turn.

The post of Governor is created in each of these three provinces; Feng-tien (Moukden), Kirin, and Hei-lung-chiang, to assist in the administration of the government.

Hsu Shih-ch'ang is hereby appointed to the post of Viceroy of the Three Manchurian Provinces with the added powers of Tartar General of the three provinces, and is also made a High Commissioner of the Imperial Government.

Tong Shao-yi is appointed Governor of Feng-tien (i. e. Moukden), Chu Chia-pao Acting Governor of Kirin, and Tuan Chih-kuei is given the rank of a Provincial Treasurer, and made Acting Governor of Hei-lung-chiang (Amur).

The said Viceroys and Governors, having thus been placed in charge of these important provinces, ought to exercise great care in all their planning and in the exercise of their functions, disregarding the importunities of friends and unmindful of enmities and hardships, giving thorough consideration to all their duties and taking them up in orderly succession, so that thus they may fulfill the trust confided to them. As to the additional offices which may need to be created, let the aforesaid Viceroy and Governors take the matter into consideration and report to US.

APPENDIX F.

ANGLO-JAPANESE AGREEMENT.

SIGNED AT LONDON, AUGUST 12, 1905.

The following "Despatch to His Majesty's Ambassador at St. Petersburgh, forwarding a copy of the Agreement between the United Kingdom and Japan, signed at London, August 12, 1905," was issued yesterday as a Parliamentary paper [Cd.2690]:—

THE MARQUESS OF LANSDOWNE TO SIR C. HARDINGE.

FOREIGN OFFICE, September 6, 1905.

Sir,— I inclose, for your Excellency's information, a copy of a new Agreement concluded between His Majesty's Government and

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that of Japan in substitution for that of the 30th January, 1902. You will take an early opportunity of communicating the new Agreement to the Russian Government.

It was signed on the 12th August, and you will explain that it would have been immediately made public but for the fact that negotiations had at that time already commenced between Russia and Japan, and that the publication of such a document whilst those negotiations were still in progress would obviously have been improper and inopportune.

The Russian Government will, I trust, recognize that the new Agreement is an international instrument to which no exception can be taken by any of the Powers interested in the affairs of the Far East. You should call special attention to the objects mentioned in the preamble as those by which the policy of the Contracting Parties is inspired. His Majesty's Government believe that they may count upon the good will and support of all the Powers in endeavouring to maintain peace in Eastern Asia, and in seeking to uphold the integrity and independence of the Chinese Empire and the principle of equal opportunities for the commerce and industry of all nations in that country.

On the other hand, the special interests of the Contracting Parties are of a kind upon which they are fully entitled to insist, and the announcement that those interests must be safeguarded is one which can create no surprise, and need give rise to no misgivings.

I call your special attention to the wording of Article II., which lays down distinctly that it is only in the case of an unprovoked attack made on one of the Contracting Parties by another Power or Powers, and when that Party is defending its territorial rights and special interests from aggressive action, that the other Party is bound to come to its assistance.

Article III, dealing with the question of Korea, is deserving of especial attention. It recognizes in the clearest terms the paramount position which Japan at this moment occupies and must henceforth occupy in Korea, and her right to take any measures which she may find necessary for the protection of her political, military, and economic interests in that country. It is, however,

expressly provided that such measures must not be contrary to the principle of equal opportunities for the commerce and industry of other nations. The new Treaty no doubt differs at this point conspicuously from that of 1902. It has, however, become evident that Korea, owing to its close proximity to the Japanese Empire and its inability to stand alone, must fall under the control and tutelage of Japan.

His Majesty's Government observe with satisfaction that this point was readily conceded by Russia in the Treaty of Peace recently concluded with Japan, and they have every reason to believe that similar views are held by other Powers with regard to the relations which should subsist between Japan and Korea.

His Majesty's Government venture to anticipate that the alliance thus concluded, designed as it is with objects which are purely peaceful and for the protection of rights and interests the validity of which cannot be contested, will be regarded with approval by the Government to which you are accredited. They are justified in believing that its conclusion may not have been without effect in facilitating the settlement by which the war has been so happily brought to an end, and they earnestly trust that it may, for many years to come, be instrumental in securing the peace of the world in those regions which come within its scope.

I am, &c., (Signed) LANSDOWNE.

INCLOSURE.

AGREEMENT BETWEEN THE UNITED KINGDOM AND JAPAN, SIGNED
AT LONDON, AUGUST 12, 1905.

PREAMBLE.

The Governments of Great Britain and Japan, being desirous of replacing the Agreement concluded between them on the 30th January, 1902, by fresh stipulations, have agreed upon the following Articles, which have for their object:—

- (a) The consolidation and maintenance of the general peace in the regions of Eastern Asia and of India;
- (b) The preservation of the common interest of all Powers in

China by insuring the independence and integrity of the Chinese Empire and the principle of equal opportunities for the commerce and industry of all nations in China;

(c) The maintenance of the territorial rights of the High Contracting Parties in the regions of Eastern Asia and of India, and the defence of their special interests in the said regions:—

ARTICLE I.

It is agreed that whenever, in the opinion of either Great Britain or Japan, any of the rights and interests referred to in the preamble of this Agreement are in jeopardy, the two Governments will communicate with one another fully and frankly, and will consider in common the measures which should be taken to safeguard those menaced rights or interests.

ARTICLE II.

If by reason of unprovoked attack or aggressive action, wherever arising, on the part of any other Power or Powers either Contracting Party should be involved in war in defence of its territorial rights or special interests mentioned in the preamble of this Agreement, the other Contracting Party will at once come to the assistance of its ally, and will conduct the war in common, and make peace in mutual agreement with it.

ARTICLE III.

Japan possessing paramount political, military, and economic interests in Korea, Great Britain recognizes the right of Japan to take such measures of guidance, control, and protection in Korea as she may deem proper and necessary to safeguard and advance those interests, provided always that such measures are not contrary to the principle of equal opportunities for the commerce and industry of all nations.

ARTICLE IV.

Great Britain having a special interest in all that concerns the security of the Indian frontier, Japan recognizes her right to

take such measures in the proximity of that frontier as she may find necessary for safeguarding her Indian possessions.

ARTICLE V.

The High Contracting Parties agree that neither of them will, without consulting the other, enter into separate arrangements with another Power to the prejudice of the objects described in the preamble of this Agreement.

ARTICLE VI.

As regards the present war between Japan and Russia, Great Britain will continue to maintain strict neutrality unless some other Power or Powers should join in hostilities against Japan, in which case Great Britain will come to the assistance of Japan, and will conduct the war in common, and make peace in mutual agreement with Japan.

ARTICLE VII.

The conditions under which armed assistance shall be afforded by either Power to the other in the circumstances mentioned in the present Agreement, and the means by which such assistance is to be made available, will be arranged by the Naval and Military authorities of the Contracting Parties, who will from time to time consult one another fully and freely upon all questions of mutual interest.

ARTICLE VIII.

The present Agreement shall, subject to the provisions of Article VI., come into effect immediately after the date of its signature, and remain in force for ten years from that date.

In case neither of the High Contracting Parties should have notified twelve months before the expiration of the said ten years the intention of terminating it, it shall remain binding until the expiration of one year from the day on which either of the High Contracting Parties shall have denounced it. But if, when the date fixed for its expiration arrives, either ally is actually engaged in war, the alliance shall, *ipso facto*, continue until peace is concluded.

In faith whereof the Undersigned, duly authorized by their re-

APPENDIX

spective Governments, have signed this Agreement and have affixed thereto their Seals.

Done in duplicate at London, the 12th day of August, 1905.

(L.S.)

LANSDOWNE,

*His Britannic Majesty's Principal Secretary
of State for Foreign Affairs.*

(L.S.)

TADASU HAYASHI,

*Envoy Extraordinary and Minister Plenipotentiary of His
Majesty the Emperor of Japan at the Court of St. James.*

APPENDIX G.

FRANCO-JAPANESE ARRANGEMENT.

SIGNED AT PARIS, JUNE 10, 1907.

ARRANGEMENT.

The Government of His Majesty the Emperor of Japan and the Government of the French Republic, animated by the desire to strengthen the relations of amity existing between them, and to remove from those relations all cause of misunderstanding for the future, have decided to conclude the following Arrangement:

"The Governments of Japan and France, being agreed to respect the independence and integrity of China, as well as the principle of equal treatment in that country for the commerce and subjects or citizens of all nations, and having a special interest to have the order and pacific state of things preserved especially in the regions of the Chinese Empire adjacent to the territories where they have the rights of sovereignty, protection or occupation, engage to support each other for assuring the peace and security in those regions, with a view to maintain the respective situation and the territorial rights of the two High Contracting Parties in the Continent of Asia."

In witness whereof, the Undersigned: His Excellency Monsieur Kurino, Ambassador Extraordinary and Plenipotentiary of His Majesty the Emperor of Japan to the President of the French Re-

public, and His Excellency Monsieur Stephen Pichon, Senator, Minister for Foreign Affairs, authorized by their respective Governments, have signed this Arrangement and have affixed thereto their seals.

Done at Paris, the 10th of June 1907.

(L. S.)

S. KURINO.

(L. S.)

S. PICHON.

DECLARATION.

The two Governments of Japan and France, while reserving the negotiations for the conclusion of a Convention of Commerce in regard to the relations between Japan and French Indo-China, agree as follows:

The treatment of the most favoured nation shall be accorded to the officers and subjects of Japan in French Indo-China in all that concerns their persons and the protection of their property, and the same treatment shall be applied to the subjects and protégés of French Indo-China in the Empire of Japan, until the expiration of the Treaty of Commerce and Navigation signed between Japan and France on the 4th of August, 1896.

Paris, the 10th of June, 1907.

(L. S.)

S. KURINO.

(L. S.)

S. PICHON.

APPENDIX H.

CONVENTION BETWEEN THE UNITED KINGDOM AND RUSSIA RELATING TO PERSIA, AF- GHANISTAN AND THIBET.

SIGNED AT ST. PETERSBURG, AUGUST 31, 1907.

RATIFICATIONS EXCHANGED AT ST. PETERSBURG, SEPTEMBER
23, 1907.

CONVENTION.

[Translation.]

His Majesty the King of the United Kingdom of Great Britain and Ireland and of the British Dominions beyond the Seas, Em-

peror of India, and His Majesty the Emperor of All the Russias, animated by the sincere desire to settle by mutual agreement different questions concerning the interests of their States on the Continent of Asia, have determined to conclude Agreements destined to prevent all cause of misunderstanding between Great Britain and Russia in regard to the questions referred to, and have nominated for this purpose their respective Plenipotentiaries, to-wit:

His Majesty the King of the United Kingdom of Great Britain and Ireland and of the British Dominions beyond the Seas, Emperor of India, the Right Honourable Sir Arthur Nicolson, His Majesty's Ambassador Extraordinary and Plenipotentiary to His Majesty the Emperor of All the Russias;

His Majesty the Emperor of All the Russias, the Master of his Court Alexander Iswolsky, Minister for Foreign Affairs;

Who, having communicated to each other their full powers, found in good and due form, have agreed on the following:—

AGREEMENT CONCERNING PERSIA.

The Governments of Great Britain and Russia having mutually engaged to respect the integrity and independence of Persia, and sincerely desiring the preservation of order throughout that country and its peaceful development, as well as the permanent establishment of equal advantages for the trade and industry of all other nations;

Considering that each of them has, for geographical and economic reasons, a special interest in the maintenance of peace and order in certain provinces of Persia adjoining, or in the neighborhood of, the Russian frontier on the one hand, and the frontiers of Afghanistan and Baluchistan on the other hand; and being desirous of avoiding all cause of conflict between their respective interests in the above-mentioned provinces of Persia;

Have agreed on the following terms:—

I.

Great Britain engages not to seek for herself, and not to support in favour of British subjects, or in favour of the subjects of

third Powers, any Concessions of a political or commercial nature—such as Concessions for railways, banks, telegraphs, roads, transport, insurance, etc.—beyond a line starting from Kasr-i-Shirin, passing through Isfahan, Yezd, Kakhk, and ending at a point on the Persian frontier at the intersection of the Russian and Afghan frontiers, and not to oppose, directly or indirectly, demands for similar Concessions in this region which are supported by the Russian Government. It is understood that the above-mentioned places are included in the region in which Great Britain engages not to seek the Concessions referred to.

II.

Russia, on her part, engages not to seek for herself and not to support, in favour of Russian subjects, or in favour of the subjects of third Powers, any Concessions of a political or commercial nature—such as Concessions for railways, banks, telegraphs, roads, transport, insurance, etc.—beyond a line going from the Afghan frontier by way of Gazik, Birjand, Kerman, and ending at Bunder Abbas, and not to oppose, directly or indirectly, demands for similar Concessions in this region which are supported by the British Government. It is understood that the above-mentioned places are included in the region in which Russia engages not to seek the Concessions referred to.

III.

Russia, on her part, engages not to oppose, without previous arrangement with Great Britain, the grant of any concessions whatever to British subjects in the regions of Persia situated between the lines mentioned in Articles I and II.

Great Britain undertakes a similar engagement as regards the grant of Concessions to Russian subjects in the same regions of Persia.

All Concessions existing at present in the regions indicated in Articles I and II are maintained.

IV.

It is understood that the revenues of all the Persian customs,

with the exception of those of Farsistan and of the Persian Gulf, revenues guaranteeing the amortization and the interest of the loans concluded by the Government of the Shah with the "Banque d'Escompte et des Prêts de Perse" up to the date of the signature of the present Agreement, shall be devoted to the same purpose as in the past.

It is equally understood that the revenues of the Persian customs of Farsistan and of the Persian Gulf, as well as those of the fisheries on the Persian shore of the Caspian Sea and those on the Posts and Telegraphs, shall be devoted, as in the past, to the service of the loans concluded by the Government of the Shah with the Imperial Bank of Persia up to the date of the signature of the present Agreement.

V.

In the event of irregularities occurring in the amortization or the payment of the interest of the Persian loans concluded with the "Banque d'Escompte et des Prêts de Perse" and with the Imperial Bank of Persia up to the date of the signature of the present Agreement, and in the event of the necessity arising for Russia to establish control over the sources of revenue guaranteeing the regular service of the loans concluded with the first-named bank, and situated in the region mentioned in Article II of the present Agreement, or for Great Britain to establish control over the sources of revenue guaranteeing the regular service of the loans concluded with the second-named bank, and situated in the region mentioned in Article I of the present Agreement, the British and Russian Governments undertake to enter beforehand into a friendly exchange of ideas with a view to determine, in agreement with each other, the measures of control in question and to avoid all interference which would not be in conformity with the principles governing the present Agreement.

CONVENTION CONCERNING AFGHANISTAN.

The High Contracting Parties, in order to ensure perfect security on their respective frontiers in Central Asia and to main-

tain in these regions a solid and lasting peace, have concluded the following Convention:—

ARTICLE I.

His Britannic Majesty's Government declare that they have no intention of changing the political status of Afghanistan.

His Britannic Majesty's Government further engage to exercise their influence in Afghanistan only in a pacific sense, and they will not themselves take, nor encourage Afghanistan to take, any measures threatening Russia.

The Russian Government, on their part, declare that they recognize Afghanistan as outside the sphere of Russian influence, and they engage that all their political relations with Afghanistan shall be conducted through the intermediary of His Britannic Majesty's Government; they further engage not to send any Agents into Afghanistan.

ARTICLE II.

The Government of His Britannic Majesty having declared in the Treaty signed at Kabul on the 21st March, 1905, that they recognize the Agreement and the engagements concluded with the late Ameer Abdur Rahman, and that they have no intention of interfering in the internal government of Afghan territory, Great Britain engages neither to annex nor to occupy in contravention of that Treaty any portion of Afghanistan or to interfere in the internal administration of the country, provided that the Ameer fulfils the engagements already contracted by him towards His Britannic Majesty's Government under the above-mentioned Treaty.

ARTICLE III.

The Russian and Afghan authorities, specially designated for the purpose on the frontier or in the frontier provinces, may establish direct relations with each other for the settlement of local questions of a non-political character.

ARTICLE IV.

His Britannic Majesty's Government and the Russian Government affirm their adherence to the principle of equality of commercial opportunity in Afghanistan, and they agree that any facilities which may have been, or shall be hereafter, obtained for British and British-Indian trade and traders, shall be equally enjoyed by Russian trade and traders. Should the progress of trade establish the necessity for Commercial Agents, the two Governments will agree as to what measures shall be taken, due regard, of course, being had to the Ameer's sovereign rights.

ARTICLE V.

The present arrangements will only come into force when His Britannic Majesty's Government shall have notified to the Russian Government the consent of the Ameer to the terms stipulated above.

AGREEMENT CONCERNING THIBET.

The Governments of Great Britain and Russia recognizing the suzerain rights of China in Thibet, and considering the fact that Great Britain, by reason of her geographical position, has a special interest in the maintenance of the *status quo* in the external relations of Thibet, have made the following Agreement:—

ARTICLE I.

The two High Contracting Parties engage to respect the territorial integrity of Thibet and to abstain from all interference in its internal administration.

ARTICLE II.

In conformity with the admitted principle of the suzerainty of China over Thibet, Great Britain and Russia engage not to enter into negotiations with Thibet except through the intermediary of the Chinese Government. This engagement does not exclude the direct relations between British Commercial Agents and the Thibetan authorities provided for in Article V of the Con-

vention between Great Britain and Thibet of the 7th September, 1904, and confirmed by the Convention between Great Britain and China of the 27th April, 1906; nor does it modify the engagements entered into by Great Britain and China in Article I of the said Convention of 1906.

It is clearly understood that Buddhists, subjects of Great Britain or of Russia, may enter into direct relations on strictly religious matters with the Dalai Lama and the other representatives of Buddhism in Thibet; the Governments of Great Britain and Russia engage, so far as they are concerned, not to allow those relations to infringe the stipulations of the present Agreement.

ARTICLE III.

The British and Russian Governments respectively engage not to send Representatives to Lhassa.

ARTICLE IV.

The two High Contracting Parties engage neither to seek nor to obtain, whether for themselves or their subjects, any Concessions for railways, roads, telegraphs, and mines, or other rights in Thibet.

ARTICLE V.

The two Governments agree that no part of the revenues of Thibet, whether in kind or in cash, shall be pledged or assigned to Great Britain or Russia or to any of their subjects.

ANNEX TO THE AGREEMENT BETWEEN GREAT BRITAIN AND RUSSIA CONCERNING THIBET.

Great Britain reaffirms the Declaration, signed by his Excellency the Viceroy and Governor-General of India and appended to the ratification of the Convention of the 7th September, 1904, to the effect that the occupation of the Chumbi Valley by British forces shall cease after the payment of three annual installments of the indemnity of 2,500,000 rupees, provided that the trade marts mentioned in Article II of that Convention have been ef-

fectively opened for three years, and that in the meantime the Thibetan authorities have faithfully complied in all respects with the terms of the said Convention of 1904. It is clearly understood that if the occupation of the Chumbi Valley by the British forces has, for any reason, not been terminated at the time anticipated in the above Declaration, the British and Russian Governments will enter upon a friendly exchange of views on this subject.

The present Convention shall be ratified, and the ratifications exchanged at St. Petersburgh as soon as possible.

In witness whereof the respective Plenipotentiaries have signed the present Convention and affixed thereto their seals.

Done in duplicate at St. Petersburgh, the 18th (31st) August, 1907.

(L. S.)

(L. S.)

A. NICOLSON.

ISWOLSKY.

APPENDIX I.

CONVENTION PROVIDING FOR CONTROL OF KOREAN FOREIGN RELATIONS BY JAPAN.

SIGNED NOVEMBER 17, 1905.

The Governments of Japan and Korea, desiring to strengthen the principle of solidarity which unites the two Empires, have with that object in view agreed upon and concluded the following stipulations to serve until the moment arrives when it is recognized that Korea has attained national strength:—

ARTICLE I.

The Government of Japan, through the Department of Foreign Affairs at Tokyo, will hereafter have control and direction of the external relations and affairs of Korea, and the diplomatic and consular representatives of Japan will have the charge of the subjects and interests of Korea in foreign countries.

ARTICLE II.

The Government of Japan undertake to see to the execution of the treaties actually existing between Korea and the other Powers, and the Government of Korea engage not to conclude hereafter any act or engagement having an international character, except through the medium of the Government of Japan.

ARTICLE III.

The Government of Japan shall be represented at the Court of His Majesty the Emperor of Korea by a Resident General, who shall reside at Seoul, primarily for the purpose of taking charge of and directing matters relating to diplomatic affairs. He shall have the right of private and personal audience of His Majesty the Emperor of Korea. The Japanese Government shall also have the right to station Residents at the several open ports and such other places in Korea as they may deem necessary. Such Residents shall, under the direction of the Resident General, exercise the powers and functions hitherto appertaining to Japanese Consuls in Korea and shall perform such duties as may be necessary in order to carry into full effect the provisions of this agreement.

ARTICLE IV.

The stipulations of all treaties and agreements existing between Japan and Korea not inconsistent with the provisions of this Agreement shall continue in force.

ARTICLE V.

The Government of Japan undertake to maintain the welfare and dignity of the Imperial House of Korea.

In faith whereof, the Undersigned duly authorized by their Governments have signed this Agreement and affixed their seals.

Signed HAYASHI GONSUKE, [SEAL]

Envoy Extraordinary and Minister Plenipotentiary.

The 17th day of the 11th month of the 38th year of Meiji.

Signed. PAK CHE SOON, [SEAL]

Minister for Foreign Affairs.

The 17th day of the 11th month of the 9th year of Kwang-Mu.

APPENDIX J.

CONVENTION CONCERNING THE ADMINISTRATION OF KOREA.

SIGNED AT SEOUL, JULY 24, 1907.

(Official English text issued from Tokyo Foreign Office.)

The Governments of Japan and of Korea, desiring to speedily promote the wealth and strength of Korea and with the object of promoting the prosperity of the Korean nation, have agreed to the following terms:

1. In all matters relating to the reform of the Korean Administration the Korean Government shall receive instruction and guidance from the Resident-General.
2. In all matters relating to the enactment of laws and ordinances and in all important matters of administration, the Korean Government must obtain the preliminary approval of the Resident-General.
3. There shall be clear differentiation of the Korean Executive and the Korean Judiciary.
4. In all appointments and removals of high officials the Korean Government must obtain the consent of the Resident-General.
5. The Korean Government shall appoint to be officials of Korea any Japanese subjects recommended by the Resident-General.
6. The Korean Government shall not appoint any foreigners to be officials of Korea without consulting the Resident-General.
7. The First Article of the Agreement signed on August 22nd, 1904, shall be rescinded.

In witness of the above the undersigned Plenipotentiaries, duly accredited by their respective Governments, have signed the present Convention:—

Done at Seoul, the 25th day of the 7th month of the 40th year of *Meiji*, corresponding to the 24th day of the 7th month of the 11th year of *Kwangmu*. (Signed.)

Ito HIROBUMI, Marquis; Yi WAN YONG,
Resident-General. Prime Minister of Korea.

NOTE.—The convention was actually signed at 1.0 A. M. on Thursday 25th July, 1907, at the Residency General at Seoul. The Japanese date, as given in the text is correct, the Korean incorrect; some other versions of this convention give the date of signature as the 24th.

APPENDIX K.

Agreement between the Chinese Government and the Russo-Chinese Bank for the construction and management of the Chinese Eastern Railway.

Imperial sanction received by the Chinese Envoy to Russia, Hsu, dated 29th August, 1896. Agreement signed 8th September, 1896.

(Translation from Chinese text.)

1. China and Russia establish a Company, to be called the Chinese Eastern Railway Company, to construct and manage this railway. The seal to be used by the Company will be issued by the Chinese Government. The regulations of the Company will be in conformity with those of Russian railway companies. Shares may only be bought by Chinese and Russians. The Director of the Company will be appointed by China. His remuneration will be provided by the Company. He may live in Peking. His duty will be to supervise the task delegated to the Company by China, and to ascertain whether its obligations are faithfully performed. All business between the Company and the Chinese Government or any Chinese officials, either in Peking or the provinces, will also be managed by the Director. The Director will also investigate from time to time the accounts of the Company with the Chinese Government. An agent must be stationed at Peking for convenience of consultation.

2. For the purpose of surveying the course of the railway, the Chinese Director will depute an officer to act in conjunction with the Company's engineer and the local officials along the line of route, who will arrange matters satisfactorily. Measures must

APPENDIX

be taken to pass round all houses, graves, villages and towns in the course of the railway.

3. Within twelve months of the issue of an Imperial Edict sanctioning this agreement the Company must have commenced work on the railway; and within six years from the date of the completion of the survey for the line and the handing over to the Company of the necessary land the whole line must be completed. The gauge of the line must be that of the Russian railway, i. e. 5 Russian feet, equivalent to 42 $\frac{1}{3}$ Chinese inches.

4. The Chinese Government will order all local officials concerned to do their utmost to assist the Company in regard to all material required for the construction of the railway, in engaging laborers and boats, carts, men, and horses for transport purposes, and in the purchase of grain and fodder. All these must be paid for by the Company at market rates. The Chinese Government will also afford facilities for transport.

5. The Chinese Government will take measures for the protection of the line and of the men employed thereon. The staff, Chinese and foreign, necessary for the line will be engaged as required by the Company. All crimes and lawsuits arising on the land of the company will be dealt with by the local officials in accordance with treaty.

6. As regards the land required by the Company for constructing, managing, and protecting the line and adjacent land, for procuring sand, earth, stones, and lime, if the land be Government land it will be given the Company without payment. If privately owned, the Company will provide funds for payment to the proprietors at market rates, either in one payment or as yearly rent. All the Company's land will be exempted from land tax. As soon as the land comes under the management of the Company they may erect thereon any buildings and carry on all kinds of work, and they may establish a telegraph line thereon worked by the Company for the Company's use. With the exception of mines, for which special arrangements must be made, all receipts of the Company for transport of passengers and freight, telegrams, etc., will be exempt from all taxation.

7. All materials required by the Company for the construction and repair of the line will be exempt from taxation.

8. All Russian troops, naval or military, and munitions of war, moved by the Russian Government by this railway, must be conveyed by the Company directly across the border. Apart from slight detentions en route, incidental to transfers, no other delays will be permitted for any cause.

9. Any foreign passengers by this line who may proceed into the interior away from the railway must be provided with Chinese passports authorizing them to proceed. Any person unprovided with such passports must be forbidden by the Company to proceed into the interior.

10. All goods and baggage coming from Russian territory, and again entering Russian territory by this line, will be exempt from taxation, but such goods and baggage, with the exception of personal luggage of passengers, must be carried by the Company in special vans, and sealed by the customs officers on entering Chinese territory, and on leaving Chinese territory they must be examined by the customs officers to ascertain that the seals are intact, in which case they will be allowed to pass. If it be found that the seals have been opened en route the goods will be confiscated.

As to goods conveyed by this line from Russia to China or from China to Russia, they will pay duty according to the treaty tariff, i. e. an import or export duty, as the case may be, but subject to a reduction of 1-3 of the tariff rate. If such goods be conveyed to the interior they must pay transit duty in addition, i. e. half the amount of the duty already paid. Transit duty being paid, they are not to be taxed again on passing customs stations or likin barriers. But if transit duty be not paid they must pay duty at stations and likin barriers. China must establish customs stations at the two points where the line crosses the frontier.

11. Fares for passengers, freight for goods, and charges for loading and unloading will be fixed by the Company. Chinese Government despatches and letters must be carried by the Company free of cost. Chinese troops and munitions of war will be carried at half rates.

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12. From the day of completion of the railway and the commencement of traffic, for a period of eighty years, all profit made by the line shall belong to the Company solely. Any loss must likewise be borne by it; the Chinese Government cannot be responsible. After eighty years the line and all its property are to revert to the Chinese Government without payment.

Thirty-six years after commencement of traffic China may take over the line on payment of the following and all capital and all moneys owed on account of the line and interest. As to profits made by the Company, should there be any not distributed to shareholders, these must be taken to be capital returned and be deducted from the price paid for the line. China must actually pay over the amount of purchase to Russia before receiving possession of the line.

On the day the line is completed and traffic commenced the Company will pay the Chinese Government five million treasury taels.

APPENDIX L.

LAW CONCERNING MIXED RESIDENCE IN JAPAN.

We, by the advice of our Privy Council, hereby give our sanction to matters relating to the residence and occupation, etc., of foreigners who either by virtue of Treaty or of custom have no freedom of residence and order the same to be promulgated.

(Imperial Seal and Sign-Manual.)

July 27th, 1899.

Marquis Yamagata Aritomo,

Minister President.

Marquis Saigo Yorimichi,

Minister for Home Affairs.

Viscount Aoki Shuzo,

Minister for Foreign Affairs.

Kiyoura Keigo,

Minister for Justice.

IMPERIAL ORDINANCE NO. 352.

Art. 1. Foreigners who either by virtue of Treaty or of custom have not freedom may hereafter reside, remove, carry on trade and do other acts outside the former Settlements and mixed residential districts. Provided that in the case of laborers they cannot reside or carry on their business outside the former Settlements or mixed residential districts unless under the special permission of the administrative authorities.

The classes of such laborers (referred to in the preceding clause) and details for the operation of this Ordinance shall be determined by the Minister for Home Affairs.

Art. 2. Persons infringing the proviso of clause 1 of the foregoing article shall be sentenced to a fine not exceeding Y. 100.

SUPPLEMENTARY RULES.

Art. 3. This law shall be put into operation on and after August 4th, 1899.

Art. 4. Imperial Ordinance No. 137, of 1894, shall be rescinded after the date on which this Law comes into force.

HOME OFFICE NOTIFICATION NO. 42.

Details relating to the operation of Imperial Ordinance No. 352, 1899, concerning the residence and occupation of foreigners who have no freedom of residence either by virtue of Treaty or of custom are decided as follows:—

July 28th, 1899.

Marquis Saigo Yorimichi,
Minister for Home Affairs.

Art. 1. The administrative authorities mentioned in Art. I of Imperial Ordinance No. 352, 1899, shall be the head of each prefecture and of Hokkaido.

Art. 2. The laborers mentioned in Art. I of the same Law shall be men engaged in labor in agricultural, fishing, mining, civil engineering work, architectural, manufacturing, transporting, carting, stevedoring, and other miscellaneous work. Provided that this rule is not applicable to those who are employed in household services such as cooking and waiting.

Art. 3. Permission given to laborers (to reside in the interior) may be cancelled by a local Governor when he deems it necessary to do so for the public welfare.

APPENDIX M.

NOTES EXCHANGED BETWEEN THE UNITED
STATES AND JAPAN, NOVEMBER 30, 1908,
DECLARING THEIR POLICY IN
THE FAR EAST.

IMPERIAL JAPANESE EMBASSY, WASHINGTON.

NOVEMBER 30, 1908.

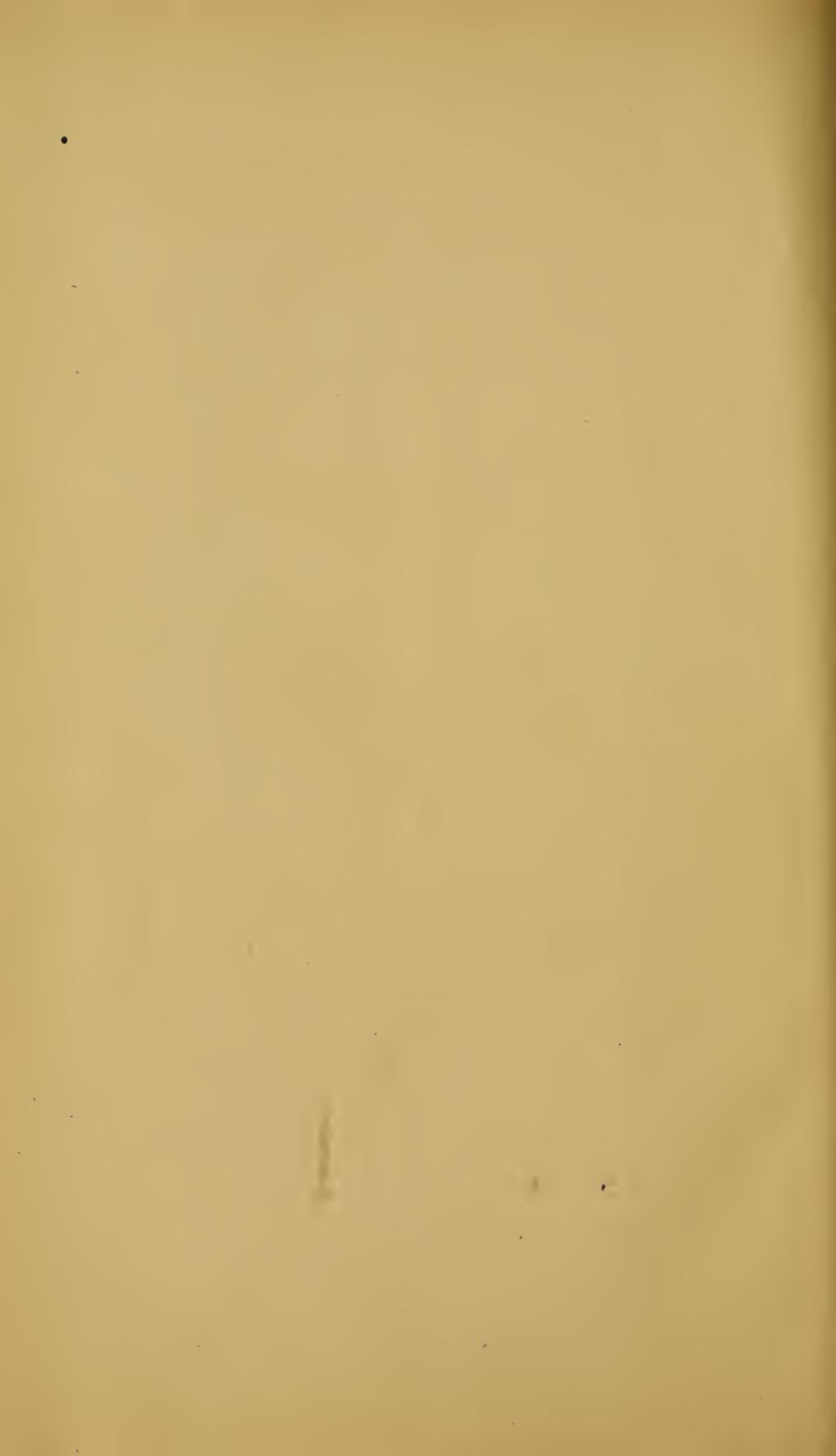
SIR:

The exchange of views between us, which has taken place at the several interviews which I have recently had the honor of holding with you, has shown that Japan and the United States holding important outlying insular possessions in the region of the Pacific Ocean, the Governments of the two countries are animated by a common aim, policy, and intention in that region.

Believing that a frank avowal of that aim, policy, and intention would not only tend to strengthen the relations of friendship and good neighborhood, which have immemorially existed between Japan and the United States, but would materially contribute to the preservation of the general peace, the Imperial Government have authorized me to present to you an outline of their understanding of that common aim, policy, and intention:

1. It is the wish of the two Governments to encourage the free and peaceful development of their commerce on the Pacific Ocean.
2. The policy of both Governments, uninfluenced by any aggressive tendencies, is directed to the maintenance of the existing status quo in the region above mentioned and to the defense of the principle of equal opportunity for commerce and industry in China.
3. They are accordingly firmly resolved reciprocally to respect





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